

SALTON COMMUNITY SERVICES DISTRICT

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

AS OF AND
FOR THE FISCAL YEAR ENDED
JUNE 30, 2017



George J. Woo
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Salton Community Services District
Salton City, California

I have audited the accompanying financial statements of the Salton Community Services District (the "District") as of June 30, 2017 and the related notes to the financial statements, which collectively compromise the financial statements.

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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted the 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 District. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Qualified Opinion

I was unable to examine supporting documentation for capital assets, because such records were not maintained by the District, nor was I able to satisfy myself as to the value of these capital assets by other auditing procedures.

Qualified Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Salton Community Services District as of June 30, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9, Schedule of the District's proportionate share of the net pension liability (asset) - miscellaneous plan and safety plan, and the Schedule of Contributions - miscellaneous plan and safety plan on pages 49 and 50, 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the financial statements as a whole. The supplementary schedules on pages 51 through 54 are presented for purposes of additional analysis and is not a required part of the financial statements. The information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



November 13, 2017

SALTON COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

The following section of the annual financial report of the Salton Community Services District (the District) includes an overview and analysis of the District's financial position and activities for the years ended June 30, 2017 and 2017. This discussion and analysis, as well as the basic financial statements which it accompanies, is the responsibility of the management of the District.

Introduction to the Basic Financial Statements

This annual report consists of a series of financial statements, prepared in accordance with generally accepted accounting principles; such report has been designed to improve the usefulness of the report to the primary users of these basic financial statements.

The District presents its basic financial statements using the economic resources measurement to focus and accrual basis of accounting. The Sewer Maintenance fund and the Sewer Construction fund are reported as a Business-Type Activity. The District's basic financial statements include a Statement of Net Assets; a Statement of Revenues, Expenses, a Statement of Changes in Net Assets; and a Statement of Cash Flows. Notes to the basic financial statements and this section support these statements. All sections must be considered together to obtain a complete understanding of the financial position and results of operations of the District.

Statements of Net Position – The Statements of Net Assets include all assets and liabilities of the District, with the difference between the two reported as net assets. Assets and liabilities are reported at their book value, on an accrual basis, as of June 30, 2017, and 2017. These statements also identify major categories of restrictions on the District's net assets.

Statements of Revenues, Expenses, and Changes in Net Position – The Statements of Revenues, Expenses, and Changes in Net Assets present the revenues earned and expenses incurred by the District during the years ended June 30, 2017, and 2017, on the accrual basis of accounting.

Statement of Cash Flows – For the District's Business-Type Activity – The Statements of Cash Flows present the changes in the District's cash and investments for the years ended June 30, 2017 and 2017. Such statements are summarized by operating, capital, and noncapital financing and investing activities. The statements of cash flows have been prepared using the direct method of reporting cash flows and, therefore, present gross, rather than net amounts, for each respective year's activities.

SALTON COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

Condensed Financial Position Information

The following condensed financial information provided an overview of the District's financial position for the fiscal years ended June 30, 2017 and June 30, 2016.

| | <u>Governmental Activities</u> | |
|----------------------------------|--------------------------------|---------------------|
| | <u>2017</u> | <u>2016</u> |
| Assets: | | |
| Capital assets | \$ 937,259 | \$ 2,037,259 |
| Other assets | <u>864,417</u> | <u>857,564</u> |
| Total assets | <u>1,801,676</u> | <u>2,894,823</u> |
| Deferred outflows of resources | <u>70,897</u> | <u>37,524</u> |
| Liabilities: | | |
| Long-term liabilities | 159,689 | 757,715 |
| Other liabilities | <u>54,113</u> | <u>79,736</u> |
| Total liabilities | <u>213,802</u> | <u>837,451</u> |
| Deferred inflows of resources | <u>35,675</u> | <u>45,469</u> |
| Net position: | | |
| Net investment in capital assets | 777,570 | 2,037,259 |
| Restricted | -0- | -0- |
| Unrestricted | <u>845,526</u> | <u>12,168</u> |
| Total net position | <u>\$ 1,623,096</u> | <u>\$ 2,049,427</u> |

(a) Net Position

The governmental activities Net position, the difference between assets and liabilities, decreased \$ 426,331 for the fiscal year ended June 30, 2017 and increased \$ 57,789 for the fiscal year ended June 30, 2016. Net position of the business-type activities increased \$ 753,752 for the fiscal year ended June 30, 2017 and increased \$ 495,698 for the fiscal year ended June 30, 2016.

| <u>Business – Type Activities</u> | | <u>TOTAL</u> | |
|-----------------------------------|----------------------|----------------------|----------------------|
| <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| \$ 19,606,990 | \$ 18,304,961 | \$ 20,544,249 | \$ 20,342,220 |
| <u>1,682,753</u> | <u>1,857,059</u> | <u>2,547,170</u> | <u>2,714,621</u> |
| <u>21,289,743</u> | <u>20,162,018</u> | <u>23,091,419</u> | <u>23,056,841</u> |
| <u>104,385</u> | <u>55,253</u> | <u>175,282</u> | <u>92,777</u> |
| 1,044,619 | 638,591 | 1,204,308 | 1,396,306 |
| <u>199,673</u> | <u>168,177</u> | <u>253,786</u> | <u>247,913</u> |
| <u>1,244,292</u> | <u>806,768</u> | <u>1,458,094</u> | <u>1,644,219</u> |
| <u>52,519</u> | <u>66,938</u> | <u>88,194</u> | <u>112,407</u> |
| 18,562,371 | 17,666,370 | 19,339,941 | 19,703,659 |
| 535,227 | 448,890 | 535,227 | 448,890 |
| <u>999,719</u> | <u>1,228,305</u> | <u>1,845,245</u> | <u>1,240,473</u> |
| <u>\$ 20,097,317</u> | <u>\$ 19,343,565</u> | <u>\$ 21,720,413</u> | <u>\$ 21,392,992</u> |

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SALTON COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

(b) Capital Assets

Capital assets, which is comprised of property plant, and equipment decreased \$ 1,100,000 in the Governmental-Type activities due to the transfer of the cost of the office building from the general fund to the sewer maintenance fund. The Business-Type activities capital assets increased \$ 1,302,029 due to the transfer of the cost of the office building of \$ 1,100,000 and the purchase of equipment of \$ 202,029. This included the purchase of a grader in the amount of \$ 119,020.

(c) Other Assets

Other assets consist of cash, investments, and accounts receivable.

(d) Long-Term Liabilities

The net increase in Long-term liabilities in the Business-Type activities was \$ 406,028 due to the transfer of debt related to the transfer of the office building from the general fund. The loan balance was \$ 575,266.

Long-term liabilities decreased \$ 169,238 due to the scheduled annual principal payments of \$ 65,000 and the retirement of the perma-liner system loan of \$ 58,106 and the camera system loan of \$ 46,132. The net increase in long-term liabilities was \$ 406,028.

(e) Other Liabilities

Other liabilities consists of accounts payable and payroll taxes payable.

SALTON COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

Summary of Operations and Changes in Net Position

Changes in the District's Governmental activities net position for fiscal years ended 2017 and 2016 was an decrease of \$ 426,331 and a decrease of \$ 57,789 respectively.

Changes in the District's Business-Type activities net position for the fiscal years ended 2017 and 2016 was a increase of \$ 753,752 and increase of \$ 495,628 respectively.

The tables below summarize the District's fiscal year 2017 and 2016 activity:

| | Governmental Activities | |
|---|-------------------------|---------------------|
| | 2017 | 2016 |
| Revenues: | | |
| Program Revenues: | | |
| Fees, Charges for Services | \$ 513,947 | \$ 687,970 |
| Capital Grants and Contributions | -0- | 30,000 |
| General Revenues: | | |
| Property Taxes | 203,822 | 203,376 |
| Interest Income | 4,979 | 4,187 |
| Other Income | -0- | 30,106 |
| Rent and Leases | -0- | -0- |
| Sale of Property | -0- | 39,061 |
| Total Revenues | 722,748 | 994,700 |
| Expenses: | | |
| Administrative Expenses | 393,135 | 409,388 |
| Non-Departmental Expenditures | -0- | 94,596 |
| Fire Department | 189,538 | 186,522 |
| Public Works | 8,356 | 31,442 |
| Parks and Recreation | 33,316 | 51,875 |
| Sewer Maintenance | -0- | -0- |
| Interest on Long-Term Debt | -0- | 47,191 |
| Abandonment of Leasehold Impr. | -0- | 115,897 |
| Total Expenses | 624,345 | 936,911 |
| Increase in Net Position, before transfer in(out) | 98,403 | 57,789 |
| Transfer in/out | (524,734) | -0- |
| Increase (decrease) in net position | (426,331) | 57,789 |
| Net Position, beginning of year | 2,049,427 | 1,991,638 |
| Net Position, end of year | \$ 1,623,096 | \$ 2,049,427 |

| <u>Business - Type Activities</u> | | <u>TOTAL</u> | |
|-----------------------------------|----------------------|----------------------|----------------------|
| <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| \$ 1,733,284 | \$ 1,874,661 | \$ 2,247,231 | \$ 2,562,631 |
| 2,400 | 3,500 | 2,400 | 33,500 |
| -0- | -0- | 203,822 | 203,376 |
| 4,300 | 704 | 9,279 | 4,891 |
| 85,989 | 271,655 | 85,989 | 301,761 |
| 23,520 | | 23,520 | -0- |
| 16,050 | -0- | 16,050 | 39,061 |
| <u>1,865,543</u> | <u>2,150,520</u> | <u>2,588,291</u> | <u>3,145,220</u> |
| 384,945 | 523,051 | 778,080 | 932,439 |
| -0- | -0- | - | 94,596 |
| -0- | -0- | 189,538 | 186,522 |
| -0- | -0- | 8,356 | 31,442 |
| -0- | -0- | 33,316 | 51,875 |
| 1,201,071 | 1,104,000 | 1,201,071 | 1,104,000 |
| 50,509 | 27,771 | 50,509 | 74,962 |
| -0- | -0- | -0- | 115,897 |
| <u>1,636,525</u> | <u>1,654,822</u> | <u>2,260,870</u> | <u>2,591,733</u> |
| <u>229,018</u> | <u>495,698</u> | <u>327,421</u> | <u>553,487</u> |
| 524,734 | -0- | - | -0- |
| 753,752 | 495,698 | 327,421 | 553,487 |
| <u>19,343,565</u> | <u>18,847,867</u> | <u>21,392,992</u> | <u>20,839,505</u> |
| <u>\$ 20,097,317</u> | <u>\$ 19,343,565</u> | <u>\$ 21,720,413</u> | <u>\$ 21,392,992</u> |

SALTON COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

(a) Operating Revenues

In fiscal year 2017 operating revenues in the Governmental activities decreased \$ 271,952 while the Business-Type activities decreased \$ 284,977.

(b) Operating Expenses

Operating expenses consists of salaries, administrative expenses and operations and maintenance costs. During the year, operating expenses in the Governmental activities decreased \$ 312,566 and decreased \$ 18,297 in the Business-Type activities.

(c) Non-operating Revenues and Expenses

Non-operating revenues and expenses consist of interest income, property taxes, grant income and bond interest expense.

Capital Assets and Debt Administration

(a) Capital Assets

Net capital assets is comprised of the sewer system, land and buildings. Equipment consists of vehicles, tools and equipment, office furniture, and computer equipment.

(b) Long-Term Debt

See Note 7 of notes to financial statements for more detailed information regarding the District's long-term debt.

Request for Information

This financial report is designed to provide a general overview of the Salton Community Services District's finances for all those with an interest in the district's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Officer, Salton Community Services District, 1209 Van Buren Ave. Suite 1, P.O. Box 5268, Salton City, California, 92275-5268.

FINANCIAL STATEMENTS

**SALTON COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2017**

ASSETS

| | Governmental Activities |
|--|----------------------------|
| Cash and Investments | \$ 707,851 |
| Accounts Receivable | 5,158 |
| Deposits | 2,430 |
| Prepaid Insurance | 7,548 |
| Cash and Investments - Restricted | -0- |
| Net pension asset | 8,323 |
| Internal Balances | 133,107 |
| Capital Assets | 937,259 |
| TOTAL ASSETS | \$ 1,801,676 |
| Deferred Outflows of Resources - Pension related items | \$ 70,897 |

LIABILITIES

| | |
|---|----------------|
| Accounts Payable | \$ 29,208 |
| Compensated Absences Payable | 1,635 |
| Accrued Other Post Employee Benefits | 23,270 |
| Loans payable | 159,689 |
| USDA Loan Payable | -0- |
| NAD Bank Loan Payable | -0- |
| TOTAL LIABILITIES | 213,802 |
| Deferred Inflows of Resources - Pension related items | 35,675 |

NET POSITION

| | |
|-----------------------------------|---------------------|
| Net Investment in Capital Assets | 777,570 |
| Restricted - Cash and Investment | -0- |
| Restricted - For Capital Projects | -0- |
| Unrestricted | 845,526 |
| TOTAL NET POSITION | \$ 1,623,096 |

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

| Business-Type Activities | Total |
|-----------------------------|----------------------|
| \$ 1,004,381 | \$ 1,712,232 |
| 395,964 | 401,122 |
| -0- | 2,430 |
| 3,310 | 10,858 |
| 399,956 | 399,956 |
| 12,249 | 20,572 |
| (133,107) | -0- |
| <u>19,606,990</u> | <u>20,544,249</u> |
| | |
| \$ 21,289,743 | \$ 23,091,419 |
| | |
| \$ 104,385 | \$ 175,282 |
| | |
| | |
| \$ 94,260 | \$ 123,468 |
| 78,096 | 79,731 |
| 27,317 | 50,587 |
| 575,266 | 734,955 |
| 249,353 | 249,353 |
| 220,000 | 220,000 |
| | |
| <u>1,244,292</u> | <u>1,458,094</u> |
| | |
| <u>52,519</u> | <u>88,194</u> |
| | |
| | |
| 18,562,371 | 19,339,941 |
| 384,683 | 384,683 |
| 150,544 | 150,544 |
| 999,719 | 1,845,245 |
| | |
| <u>\$ 20,097,317</u> | <u>\$ 21,720,413</u> |

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

SALTON COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

| FUNCTIONS/PROGRAMS | <u>Expenses</u> |
|--------------------------------|------------------|
| Governmental Activities: | |
| General Government | \$ 374,505 |
| Fire Department | 182,016 |
| Public Works | 8,356 |
| Parks and Recreation | 33,316 |
| Interest on Long-Term debt | <u>26,152</u> |
| Total Governmental Activities | <u>624,345</u> |
| Business-Type Activities: | |
| Sewer Maintenance | <u>1,636,525</u> |
| Total Business Type Activities | <u>1,636,525</u> |
| Total | <u>2,260,870</u> |

GENERAL REVENUES (EXPENSES):

Sale of Property
Other Income
Property Taxes
Interest Earnings

Total General Revenues (Expenses):

Transfer In (out)

Change in Net Position

NET POSITION, BEGINNING OF YEAR

NET POSITION, END OF YEAR

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

| Program Revenues | | Net (Expenses) Revenues and Changes in Net Assets | | |
|-------------------------|--|--|-----------------------------|----------------------|
| Charges for Services | Grants and Capital Contributions | Governmental Activities | Business-Type Activities | Total |
| \$ 466,009 | \$ -0- | \$ 91,504 | \$ -0- | \$ 91,504 |
| 45,188 | -0- | (136,828) | -0- | (136,828) |
| 250 | -0- | (8,106) | -0- | (8,106) |
| 2,500 | -0- | (30,816) | -0- | (30,816) |
| -0- | -0- | (26,152) | -0- | (26,152) |
| <u>513,947</u> | <u>-0-</u> | <u>(110,398)</u> | <u>-0-</u> | <u>(110,398)</u> |
| | | | | |
| <u>1,733,284</u> | <u>2,400</u> | <u>-0-</u> | <u>99,159</u> | <u>99,159</u> |
| <u>1,733,284</u> | <u>2,400</u> | | <u>99,159</u> | <u>99,159</u> |
| | | | | |
| <u>2,247,231</u> | <u>2,400</u> | <u>(110,398)</u> | <u>99,159</u> | <u>(11,239)</u> |
| | | | | |
| | | -0- | 16,050 | 16,050 |
| | | -0- | 109,509 | 109,509 |
| | | 203,822 | -0- | 203,822 |
| | | 4,979 | 4,300 | 9,279 |
| | | <u>208,801</u> | <u>129,859</u> | <u>338,660</u> |
| | | (524,734) | 524,734 | -0- |
| | | (426,331) | 753,752 | 327,421 |
| | | <u>2,049,427</u> | <u>19,343,565</u> | <u>21,392,992</u> |
| | | <u>\$ 1,623,096</u> | <u>\$ 20,097,317</u> | <u>\$ 21,720,413</u> |

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

SALTON COMMUNITY SERVICES DISTRICT
BALANCE SHEET- GOVERNMENTAL FUNDS
AS OF JUNE 30, 2017

| | <u>General Fund</u> | <u>Channel Maintenance</u> | <u>Total Governmental Funds</u> |
|---|--------------------------|--------------------------------|---|
| ASSETS | | | |
| Cash and Investments | \$ 78,056 | \$ 629,795 | \$ 707,851 |
| Accounts Receivable | 3,705 | 1,453 | 5,158 |
| Deposits | 2,430 | -0- | 2,430 |
| Prepaid Insurance | 7,548 | -0- | 7,548 |
| Due from Other Funds | 167,067 | 1,221 | 168,288 |
| | <u>258,806</u> | <u>632,469</u> | <u>891,275</u> |
| LIABILITIES AND FUND BALANCE | | | |
| Liabilities | | | |
| Accounts Payable | \$ 29,208 | \$ -0- | \$ 29,208 |
| Compensated Absences Payable | 1,635 | -0- | 1,635 |
| Accrued Other Post Employee Benefits | 23,270 | -0- | 23,270 |
| Due to Other Funds | 34,780 | 401 | 35,181 |
| | <u>88,893</u> | <u>401</u> | <u>89,294</u> |
| Fund Balance | | | |
| Unreserved | <u>169,913</u> | <u>632,068</u> | <u>801,981</u> |
| | <u>169,913</u> | <u>632,068</u> | <u>801,981</u> |
| Total Liabilities and Fund Balance | <u><u>\$ 258,806</u></u> | <u><u>\$ 632,469</u></u> | <u><u>\$ 891,275</u></u> |

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

SALTON COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2017

| | | |
|--|-----------------|--------------------------------|
| Fund Balances of governmental funds (page 15) | | <u>\$ 801,981</u> |
| Amounts reported for governmental activities in the statement of net assets are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. | | 937,259 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. | | (159,689) |
| Deferred outflows related to contributions made after the actuarial measurement date for the net pension liability: | | |
| Net difference between projected and actual earnings on plan investments. | 42,464 | |
| Change in proportion | 9,928 | |
| Contributions made subsequent to measurement date | 17,969 | |
| Adjustment due to differences in proportions | <u>536</u> | <u>70,897</u> |
| Governmental funds report all pension contributions as expenditures, however in the statement of net position any excesses or deficiencies in contributions in relation to the proportionate share of contributions are recorded as an asset or liability. | | 8,323 |
| Deferred inflows related to unrecognized actuarial gains and losses for the net pension liability: | | |
| Adjustment due to differences in proportions | (15,999) | |
| Changes in Assumptions | (8,183) | |
| Change in Proportion | <u>(11,493)</u> | <u>(35,675)</u> |
| Net Position of Governmental Activities (page 14) | | <u><u>\$ 1,623,096</u></u> |

SALTON COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

| REVENUES: | General Fund | Channel Maintenance | Total Governmental Funds |
|--|-------------------|------------------------|--------------------------------|
| Taxes | \$ 196,848 | \$ 6,974 | \$ 203,822 |
| Administration Fees | 386,242 | -0- | 386,242 |
| Permits | 250 | -0- | 250 |
| Fire Dept. | 45,188 | -0- | 45,188 |
| Rents and Leases | 59,075 | -0- | 59,075 |
| Interest | 431 | 4,548 | 4,979 |
| Other Fees | 23,192 | -0- | 23,192 |
| Total Revenue | 711,226 | 11,522 | 722,748 |
| EXPENDITURES | | | |
| <u>Current:</u> | | | |
| Administrative Expenditures | 283,664 | 1,728 | 285,392 |
| Nondepartmental Expenditures | 75,064 | -0- | 75,064 |
| Fire Departments | 178,392 | -0- | 178,392 |
| Public Works | 7,646 | -0- | 7,646 |
| Parks & Recreation | 33,316 | -0- | 33,316 |
| <u>Debt Service:</u> | | | |
| Principal retirement | 22,760 | -0- | 22,760 |
| Interest | 26,152 | -0- | 26,152 |
| Total Expenditures | 626,994 | 1,728 | 628,722 |
| Change in Fund Balance | 84,232 | 9,794 | 94,026 |
| FUND BALANCE, BEGINNING OF YEAR | 85,681 | 622,274 | 707,955 |
| FUND BALANCE, END OF YEAR | \$ 169,913 | \$ 632,068 | \$ 801,981 |

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

SALTON COMMUNITY SERVICES DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPEDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Amounts reported for governmental activities in the statement of activities (page 13) are different because:

| | |
|--|--------------|
| Net change in fund balances-total governmental funds (page 16) | \$ 94,026 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets should be allocated over their estimated useful lives and reported as depreciation expense. See discussion in note 3 to the financial statements. This is the amount of capital outlays in the current period. | -0- |
| Pension obligation expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | (18,383) |
| Repayment of capital lease principal is an expenditure in the Governmental funds, but the repayment reduces long-term Liabilities in the statement of net position. | |
| Principal repayments | 22,760 |
| Transfer of cost of office building and related debt to sewer maintenance fund | (524,734) |
| Change in net assets of governmental activities (pages 13 & 14) | \$ (426,331) |

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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SALTON COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE BUDGET AND ACTUAL- GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

GENERAL FUND

| REVENUES: | Budget | Actual | Variance Positive (Negative) |
|---------------------------------|-------------------|-------------------|------------------------------------|
| Taxes | \$ 191,000 | \$ 196,848 | \$ 5,848 |
| Administration Fees | 423,348 | 386,242 | (37,106) |
| Permits | -0- | 250 | 250 |
| Fire Dept. | 24,288 | 45,188 | 20,900 |
| Rents and Leases | 56,230 | 59,075 | 2,845 |
| Interest | 371 | 431 | 60 |
| Other Fees | 20,450 | 23,192 | 2,742 |
| Total Revenue | <u>715,687</u> | <u>711,226</u> | <u>(4,461)</u> |
| EXPENDITURES | | | |
| Administrative Expenditures | 317,150 | 302,295 | 14,855 |
| Non-departmental Expenditures | 49,079 | 75,064 | (25,985) |
| Fire Departments | 144,797 | 185,913 | (41,116) |
| Public Works | 7,550 | 7,646 | (96) |
| Parks & Recreation | 17,500 | 33,316 | (15,816) |
| Debt Service: | | | |
| Principal retirement | -0- | 22,760 | (22,760) |
| Interest | -0- | -0- | - |
| Total Expenditures | <u>536,076</u> | <u>626,994</u> | <u>(90,918)</u> |
| Change in Fund Balance | <u>179,611</u> | <u>84,232</u> | <u>(95,379)</u> |
| FUND BALANCE, BEGINNING OF YEAR | <u>85,681</u> | <u>85,681</u> | <u>-0-</u> |
| FUND BALANCE, END OF YEAR | <u>\$ 265,292</u> | <u>\$ 169,913</u> | <u>\$ (95,379)</u> |

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

SALTON COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF JUNE 30, 2017

| | <u>Sewer Maintenance</u> | <u>Sewer Construction</u> |
|---|------------------------------|-------------------------------|
| ASSETS: | | |
| Cash and Investments | \$ 998,942 | \$ 5,439 |
| Accounts Receivable | 395,927 | 37 |
| Prepaid Insurance | 3,310 | -0- |
| Cash and Investments-Restricted | | |
| NAD Bank USDA Loan reserve | 74,454 | -0- |
| NAD Bank USDA debt service | 100,711 | -0- |
| NAD Bank USDA R & R reserve | 48,151 | -0- |
| NAD Bank Operations reserve | 161,367 | -0- |
| Sewer capacity Fund | -0- | 15,273 |
| Total Cash & Investments - Restricted | <u>384,683</u> | <u>15,273</u> |
| Net Pension Asset | 12,249 | -0- |
| Due From Other Funds | 35,181 | -0- |
| Capital Assets | <u>4,399,848</u> | <u>15,207,142</u> |
| Total Assets | <u>6,230,140</u> | <u>15,227,891</u> |
| Deferred Outflows of Resources - Pension related item: | <u>104,385</u> | <u>-</u> |
| Total Assets | <u>\$ 6,334,525</u> | <u>\$ 15,227,891</u> |
| LIABILITIES AND NET POSITION: | | |
| Liabilities: | | |
| Accounts Payable | \$ 94,260 | \$ -0- |
| Compensated Absences Payable | 78,096 | -0- |
| Accrued Other Post Employee Benefits | 27,317 | -0- |
| Due to Other Funds | 168,288 | -0- |
| Loans payable | 575,266 | -0- |
| USDA Loan Payable | 249,353 | -0- |
| NAD Bank Loan Payable | <u>220,000</u> | <u>-0-</u> |
| Total Liabilities | <u>1,412,580</u> | <u>-0-</u> |
| Deferred Inflows of Resources - Pension related items | <u>52,519</u> | <u>-0-</u> |
| Net Position: | | |
| Net Investment in Capital Assets | 3,355,229 | 15,207,142 |
| Restricted Cash and Investments | 384,683 | -0- |
| Restricted For Capital Projects | 135,271 | 15,273 |
| Unrestricted | <u>994,243</u> | <u>5,476</u> |
| Total Net Position | <u>4,869,426</u> | <u>15,227,891</u> |
| Total Liabilities, deferred inflows and Net Position | <u>\$ 6,334,525</u> | <u>\$ 15,227,891</u> |

EE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

Total
Business-Type
Activities

\$ 1,004,381
395,964
3,310

74,454
100,711
48,151
161,367
15,273

399,956

12,249
35,181
19,606,990

21,458,031

104,385

\$ 21,562,416

\$ 94,260
78,096
27,317
168,288
575,266
249,353
220,000

1,412,580

52,519

18,562,371
384,683
150,544
999,719

20,097,317

\$ 21,562,416

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

SALTON COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

| | <u>Sewer Maintenance</u> |
|--|------------------------------|
| OPERATING REVENUE: | |
| Charges for Services | <u>\$ 1,733,284</u> |
| Total Revenue | <u>1,733,284</u> |
| OPERATING EXPENDITURES: | |
| Administrative Expenditures | 384,943 |
| Sewer Maintenance | <u>1,201,071</u> |
| Total Expenditures | <u>1,586,014</u> |
| Operating Income | <u>147,270</u> |
| NON OPERATING REVENUES (EXPENSES) | |
| Gain on sale of equipment | 16,050 |
| Rental Income | 23,520 |
| Other Income | 85,121 |
| Interest Earnings | 4,227 |
| Interest Expense | (50,509) |
| Admin. fees | <u>868</u> |
| Total Non-Operating Revenues (Expenses) | <u>79,277</u> |
| Capital Contributions | 400 |
| Transfer In | <u>524,734</u> |
| Increase in Net Position | <u>751,681</u> |
| NET POSITION, BEGINNING OF YEAR | 4,117,745 |
| NET POSITION, END OF YEAR | <u><u>\$ 4,869,426</u></u> |

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

| <u>Sewer Construction</u> | <u>Total Business-Type Activities</u> |
|-------------------------------|---|
| \$ -0- | \$ 1,733,284 |
| <u>-0-</u> | <u>1,733,284</u> |
| 2 | 384,945 |
| <u>-0-</u> | <u>1,201,071</u> |
| <u>2</u> | <u>1,586,016</u> |
| <u>(2)</u> | <u>147,268</u> |
| -0- | 16,050 |
| -0- | 23,520 |
| -0- | 85,121 |
| 73 | 4,300 |
| -0- | (50,509) |
| <u>-0-</u> | <u>868</u> |
| <u>73</u> | <u>79,350</u> |
| 2,000 | 2,400 |
| <u>-0-</u> | <u>524,734</u> |
| <u>2,071</u> | <u>753,752</u> |
| 15,225,820 | 19,343,565 |
| <u>\$ 15,227,891</u> | <u>\$ 20,097,317</u> |

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

SALTON COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

| | Sewer Fund |
|--|----------------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | |
| Cash received from customers | \$ 1,421,944 |
| Cash paid to suppliers for goods and services | <u>(1,447,647)</u> |
| Net Cash from operating activities | <u>(25,703)</u> |
| CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES | |
| Transfer from other funds | 524,734 |
| Other non-operating income | <u>125,559</u> |
| Net Cash From Non-Capital Financing Activities | <u>650,293</u> |
| CASH FLOW FROM CAPITAL AND RELATED FINANCING | |
| Debt assumed for office building | 575,266 |
| Acquisition of capital assets | (1,302,029) |
| Principal payments on long-term debt | (169,238) |
| Interest paid on long-term debt | (50,509) |
| Capital contributions | <u>400</u> |
| Net cash from capital and related financing activities | <u>(946,110)</u> |
| CASH FLOW FROM INVESTING ACTIVITIES | |
| Interest received | <u>4,227</u> |
| Net cash from investing activities | 4,227 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | (317,293) |
| CASH AND CASH EQUIVALENTS, beginning year | <u>1,700,918</u> |
| CASH AND CASH EQUIVALENTS, end of year | <u>\$ 1,383,625</u> |
| Cash and Investments | \$ 998,942 |
| Cash and Investment - Restricted | <u>384,683</u> |
| Cash and Cash Equivalents | <u>\$ 1,383,625</u> |

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

| <u>Sewer Construction</u> | <u>Total Business- Type Activities</u> |
|-------------------------------|--|
| \$ -0- | \$ 1,421,944 |
| (2) | (1,447,649) |
| <u>(2)</u> | <u>(25,705)</u> |
| -0- | 524,734 |
| -0- | 125,559 |
| <u>-</u> | <u>650,293</u> |
| -0- | 575,266 |
| -0- | (1,302,029) |
| -0- | (169,238) |
| -0- | (50,509) |
| 9,000 | 9,400 |
| <u>9,000</u> | <u>(937,110)</u> |
| 43 | 4,270 |
| <u>43</u> | <u>4,270</u> |
| 9,041 | (308,252) |
| <u>11,645</u> | <u>1,712,563</u> |
| <u>\$ 20,686</u> | <u>\$ 1,404,311</u> |
| \$ 5,439 | \$ 1,004,381 |
| <u>15,273</u> | <u>399,956</u> |
| <u>\$ 20,712</u> | <u>\$ 1,404,337</u> |

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

SALTON COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
For The Fiscal Year Ended June 30, 2017

| | <u>Sewer Maintenance</u> |
|--|------------------------------|
| Cash flows from operating activities: | |
| Operating income (loss) | \$ 147,270 |
| Adjustments to reconcile net income or loss to net cash used in operating activities: | |
| (Increase)/decrease in accounts receivable | (344,694) |
| (Increase)/decrease in due from other funds | (23,867) |
| Decrease in inventory | 15,739 |
| Increase/(decrease) in accounts payable | (10,688) |
| Increase/decrease due to other funds | 121,290 |
| Increase in compensated absences | 42,184 |
| Decrease in pension asset | 90,614 |
| Decrease in Deferred outflows | (49,132) |
| Decrease in deferred inflows | (14,419) |
| | <u>(172,973)</u> |
| Total adjustments | |
| | <u>\$ (25,703)</u> |

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

| <u>Sewer Construction</u> | <u>Total Business-Type Activities</u> |
|-------------------------------|---|
| <u>\$ (2)</u> | <u>\$ 147,268</u> |
| -0- | (344,694) |
| -0- | (23,867) |
| | 15,739 |
| -0- | (10,688) |
| -0- | 121,290 |
| -0- | 42,184 |
| -0- | 90,614 |
| -0- | (49,132) |
| -0- | (14,419) |
| <u>-0-</u> | <u>(172,973)</u> |
| <u>\$ (2)</u> | <u>\$ (25,705)</u> |

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

SALTON COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Salton Community Services District (District) have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body of establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

A. Reporting Entity

The District was formed under government code section 61600 of the State of California on June 13, 1955.

The District was established and formed to provide the following:

1. Collect, treat, or dispose of sewage.
2. Collect, transfer and dispose of solid waste.
3. Provide fire protection.
4. Acquire, construct recreation facilities.
5. Organize, promote community recreation.
6. Acquire, construct, and improve lighting and landscaping.
7. Provide emergency medical services.

Blended Component Unit:

On October 15, 2002, the Board approved and authorized the execution and filing of the organizational documents relating to the Salton Community Services District Financing Corporation. The District authorized an administration and assignment agreement for certificates of participation (2002 financing project) in an aggregate principal amount not to exceed \$ 950,000 for the purpose of securing a loan from the U.S. Department of Agriculture Rural Utility Service.

SALTON COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

The District uses funds to report on its' financial position and the results of its' operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Governmental funds are used to account for or most of a government's general activities, including the collection of property taxes and the acquisition or construction of capital assets. The general fund is used to account for all activities of the general government not accounted for in some other fund.

The governmental fund types of the District consists of the general fund and the proprietary funds. The general fund is made up of the General, and the Channel Maintenance Funds. The proprietary funds consists of the Sewer Construction fund and the Sewer Maintenance fund.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. 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 the balance sheet.

Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

SALTON COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction that can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Operating revenues, such as sewer charges, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as grant funding and investment income, result from non-exchange transactions, in which, the District gives (receives) value without directly receiving (giving) value in exchange.

The District reports its business type activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing water services to its customers on a continuing basis be financed or recovered primarily through user charges (sewer service charges), capital grants and similar funding.

Net Position of the District is classified into three components: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. These classifications are defined as follows:

Net Investment in Capital Assets

This component of Net Position consists of capital assets and reduced by the outstanding balances of notes or borrowing that are attributable to the acquisition of the asset, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.

Restricted Net Position

This component of Net Position consists of Net Position with constrained use through external constraints imposed by creditors (such as through debt

SALTON COMMUNITY SERVICES DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position

This component of Net Position consists of Net Position that does not meet the definition of "net investment in capital assets" or "restricted Net Position".

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

D. Cash and Investments

Cash includes amounts in demand deposits.

Investments consist of time certificates of deposits and the California Local Investment Fund (LAIF). These investments are stated at fair value.

E. Inventories

Inventories, stated at cost, consist of various materials needed for the sewer construction.

F. Interfund Activity

During the normal course of business, individual funds may receive or pay amounts for other funds, giving rise to interfund receivable or payables which are liquidated shortly thereafter. Interfund balances were comprised of the following as of June 30, 2017:

| | <u>Due From Other Funds</u> | <u>Due To Other Funds</u> | |
|--------------------|---------------------------------|-------------------------------|--|
| General Fund | \$ 167,067 | \$ 34,780 | |
| Chanel Maintenance | 1,221 | 401 | |
| Sewer Maintenance | 35,181 | 168,288 | |
| Sewer Construction | <u>-0-</u> | <u>-0-</u> | |
| Total | <u>\$ 203,469</u> | <u>\$ 203,469</u> | |

SALTON COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Deferred Outflows / Inflows of Resources

In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of Net Position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statements of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

H. Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates under different assumptions or conditions.

SALTON COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 2 - CASH AND INVESTMENTS

The District operates its idle cash investments under the Prudent Man Rule (California Civil Code Sections 2261 et seq.). This affords the District a broad spectrum of investment opportunities as long as the investment is deemed prudent and is allowable under current legislation of the State of California (Government Code Section 53600 et seq.).

In accordance with Section 53601 of the California Government code, the District may invest in the following types of instruments:

- a. Securities of the U.S. Government, or its agencies
- b. Certificates of deposit
- c. Negotiable certificates of deposit
- d. Bankers acceptances
- e. Commercial paper
- f. Local Agency Investment Fund (LAIF)

California Local Agency Investment Fund (LAIF)

The Local Agency Investment Fund (LAIF) is a special fund of the California State Treasury through which local governments may pool investments. Each Local government may invest up to \$ 20,000,000 in this fund. Investments are highly liquid and may be converted to cash within 24 hours. This type of investment is not subject to categorization.

The District's investments with LAIF at June 30, 2017 include a portion of the pool funds invested in structured notes and asset-backed securities. These investments may include the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-backed securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMOs) or credit card receivables.

As of June 30, 2017, LAIF had invested 3.086% of the pool investment funds in structured notes and asset-backed securities.

SALTON COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Classification of Deposits and Investments by Credit Risk:

Deposits and investments are classified into three categories of credit risk. These categories are as follows:

Deposits:

- Category 1 - Deposits which are insured by FDIC, a state depository insurance fund or a multiple-financial institution collateral pool, or deposits which are collateralized with securities held by the District or the District's agent in the District's name.
- Category 2 - Deposits which are collateralized with securities held by the pledging financial institutions trust department in the District's name.
- Category 3 - Deposits which are uncollateralized, or collateralized but the pledge securities are not held in the District's name.

Investments:

- Category 1 - Investments which are insured by SIPC, or where the securities are held by the District or the District's agent in the District's name.
- Category 2 - Investments which are uninsured and unregistered where the securities are held by the purchasing financial institution's trust department or agent in the District's name.
- Category 3 - Investments which are uninsured and unregistered where the securities are held by the purchasing financial institution's trust department or agent, but not in the District's name.

SALTON COMMUNITY SERVICES DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Investments Not Subject to Categorization:

Investments in the California Local Agency Investment Fund (LAIF) are not required to be categorized, as they are investment pools managed by another government. Deposits and investments were categorized as follows as of June 30, 2017:

| | <u>Category</u> | | | <u>Not Required To Be Categorized</u> | <u>Bank Balances</u> | <u>Carrying Amount</u> |
|---------------------------------------|---------------------|---------------|---------------|---|--------------------------|----------------------------|
| | <u>1</u> | <u>2</u> | <u>3</u> | | | |
| Deposits: | | | | | | |
| Undeposited Funds | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ 66,516 |
| Petty Cash | -0- | -0- | -0- | -0- | -0- | 100 |
| Demand Accounts | 1,045,286 | -0- | -0- | -0- | 1,174,270 | 1,045,286 |
| Local Agency Investment Fund | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>1,000,286</u> | <u>-0-</u> | <u>1,000,286</u> |
| Total Deposits | <u>\$ 1,045,286</u> | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ 1,000,286</u> | <u>\$ 1,174,270</u> | <u>\$ 2,112,188</u> |
| TOTAL CARRYING AMOUNT (BOOK BALANCES) | | | | | | <u>\$ 2,112,188</u> |
| Cash and Investments | | | | | | \$ 1,712,232 |
| Cash and Investments – Restricted | | | | | | <u>399,956</u> |
| TOTAL CASH AND INVESTMENTS | | | | | | <u>\$ 2,112,188</u> |

SALTON COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT

Complete and adequate records are not maintained by the District; therefore, no adjustments were made to capital assets, except for the additions that were identifiable from supporting documentation.

A summary of changes in capital assets for governmental activities for the year ended June 30, 2017 is as follows:

| | Balance <u>July 1, 2016</u> | Additions <u>(Retirements)</u> | Transfer of assets (to)from <u>other funds</u> | Balance <u>June 30,2017</u> |
|---------------------------|--------------------------------|-----------------------------------|--|--------------------------------|
| Structures & Improvements | \$ 1,611,597 | \$ -0- | \$ (1,100,000) | \$ 1,611,597 |
| Motor Vehicles | 421,128 | -0- | -0- | 421,128 |
| Office Furniture | 4,535 | -0- | -0- | 4,535 |
| Rounding | <u>-0-</u> | <u>(1)</u> | <u>-0-</u> | <u>(1)</u> |
| Total Fixed Assets | <u>\$ 2,037,260</u> | <u>\$ (1)</u> | <u>\$ (1,100,000)</u> | <u>\$ 937,259</u> |

A summary of changes in capital assets for business-type activities for the year ended June 30, 2017 is as follows:

| | Balance <u>July 1, 2016</u> | Additions | Transfer of assets(to)from <u>other funds</u> | Balance <u>June 30,2017</u> |
|---------------------------|--------------------------------|--------------------------|---|--------------------------------|
| Office Building | \$ -0- | \$ -0- | \$ 1,100,000 | \$ 1,100,000 |
| Pump Stations | 65,774 | 58,588 | -0- | 124,362 |
| Sewers | 6,759,568 | -0- | -0- | 6,759,568 |
| Structures & Improvements | 532,963 | -0- | -0- | 532,963 |
| Equipment | 1,035,482 | 121,143 | -0- | 1,156,625 |
| Motor Vehicles | 341,898 | 22,298 | -0- | 364,196 |
| New Construction | <u>9,569,276</u> | <u>-0-</u> | <u>-0-</u> | <u>9,569,276</u> |
| Total Fixed Assets | <u>\$ 18,304,961</u> | <u>\$ 202,029</u> | <u>\$ 1,100,000</u> | <u>\$ 19,606,990</u> |

SALTON COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 4 - PROPERTY TAXES AND SPECIAL ASSESSMENT REVENUE

Revenue is recognized in the fiscal year for which the tax and assessment is levied. The County of Imperial levies, bills and collects property taxes and special assessments for the District; under the County's "Teeter Plan" the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1 of the preceding fiscal year.

Secured property tax is due in two installments, on November 1 and February 1 and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31.

The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the personal property being taxed. Secured and unsecured property tax revenues are recognized by the District in the fiscal year they are assessed provided they become available as defined above.

NOTE 5 – LONG-TERM DEBT

Loan payable to the United States Department of Agriculture, secured by the District's levy and Collection of assessments or use charges as may be necessary to operate and maintain the plant and meet the payments, payable in annual payments from \$ 25,000 to \$ 43,000 including interest at adjusted rate of 4.25% per annum on the unpaid balance.

\$ 249,353

Loan payable to the North American Development Bank, secured by the District's levy and collection of assessments or use charges as may be necessary to operate and maintain the plant and meet the payments, payable in annual payments from \$ 15,000 to \$ 35,000 including interest at adjusted rate of 3.85% per annum on the unpaid balance.

\$ 220,000

SALTON COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 5: LONG-TERM DEBT (CONTINUED)

Capital lease payable to Oshkosh Capital, payable in annual installments of \$ 23,983, including interest at 4.27% and collateralized by a fire truck. Final payment is due August 24, 2024. \$ 159,689

Loan payable to Salton Sea Enterprise, LLC payable in monthly installments of \$3,948.58, including interest at 7% and collateralized by an office building. Final payment is due August 24, 2044. \$ 575,266

| | <u>Balance</u> <u>June 30, 2016</u> | <u>Addition</u> | <u>Retirement</u> | <u>Balance</u> <u>June 30, 2017</u> |
|------------------------------|--|-----------------|---------------------|--|
| USDA - COP | \$ 289,353 | \$ -0- | \$ (40,000) | \$ 249,353 |
| USDA - COP | 245,000 | -0- | (25,000) | 220,000 |
| Loan payable-Oshkosh Capital | 176,150 | -0- | (16,461) | 159,689 |
| Loan payable-Salton Sea Ent. | 581,565 | -0- | (6,299) | 575,266 |
| Loan payable-Western Eq. | 58,106 | -0- | (58,106) | -0- |
| Loan payable-Jules & Assoc. | <u>46,132</u> | <u>-0-</u> | <u>(46,132)</u> | <u>-0-</u> |
| | <u>\$ 1,396,306</u> | <u>\$ -0-</u> | <u>\$ (191,998)</u> | <u>1,204,308</u> |
| Less: current portion | | | | <u>(133,644)</u> |
| Long-term portion | | | | <u>\$ 1,262,662</u> |

| <u>Year Ending June 30</u> | <u>USDA - COP</u> | | <u>Total Debt</u> <u>Service</u> |
|----------------------------|-------------------|------------------|-------------------------------------|
| | <u>Principal</u> | <u>Interest</u> | |
| 2018 | \$ 40,000 | \$ 12,880 | \$ 52,880 |
| 2019 | 40,000 | 12,880 | 52,880 |
| 2020 | 40,000 | 12,880 | 52,880 |
| 2021 | 40,000 | 12,880 | 52,880 |
| 2022 | 40,000 | 12,880 | 52,880 |
| 2023 | <u>49,353</u> | <u>9,880</u> | <u>59,233</u> |
| | <u>\$ 249,353</u> | <u>\$ 74,280</u> | <u>\$ 323,633</u> |

SALTON COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 5: LONG-TERM DEBT (CONTINUED)

| <u>USDA - COP</u> | | | |
|---|-------------------|-------------------|---------------------------|
| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Debt Service</u> |
| 2018 | \$ 30,000 | \$ 8,470 | \$ 38,470 |
| 2019 | 30,000 | 7,315 | 37,315 |
| 2020 | 30,000 | 6,160 | 36,160 |
| 2021 | 30,000 | 5,019 | 35,019 |
| 2022 | 30,000 | 3,850 | 33,850 |
| 2023 | <u>70,000</u> | <u>4,043</u> | <u>74,043</u> |
| | <u>\$ 220,000</u> | <u>\$ 34,857</u> | <u>\$ 254,857</u> |
| <u>Capital Lease – Oshkosh Capital</u> | | | |
| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Debt Service</u> |
| 2018 | \$ 17,165 | \$ 6,818 | \$ 23,983 |
| 2019 | 17,898 | 6,085 | 23,983 |
| 2020 | 18,662 | 5,321 | 23,983 |
| 2021 | 19,459 | 4,524 | 23,983 |
| 2022 | 20,289 | 3,694 | 23,983 |
| 2025 | <u>66,213</u> | <u>5,734</u> | <u>71,950</u> |
| | <u>\$ 159,689</u> | <u>\$ 32,176</u> | <u>\$ 191,865</u> |
| <u>Note Payable – Salton Sea Enterprises, LLC</u> | | | |
| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Debt Service</u> |
| 2018 | \$ 7,983 | \$ 43,349 | \$ 51,332 |
| 2019 | 7,924 | 39,459 | 47,383 |
| 2020 | 8,497 | 38,886 | 47,383 |
| 2021 | 9,111 | 38,272 | 47,383 |
| 2022 | 9,770 | 37,613 | 47,383 |
| 2023-2027 | 60,522 | 176,393 | 236,915 |
| 2028-2032 | 85,797 | 151,118 | 236,915 |
| 2033-2037 | 121,628 | 115,287 | 236,915 |
| 2038-2042 | 172,423 | 64,492 | 236,915 |
| 2043-2045 | <u>91,611</u> | <u>7,104</u> | <u>98,715</u> |
| | <u>\$ 575,266</u> | <u>\$ 711,973</u> | <u>\$1,287,239</u> |

**SALTON COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5: LONG-TERM DEBT (CONTINUED)

The combined aggregate maturity of all long-term debt obligations is detailed as of June 30, 2017 by fiscal year of maturity as follows:

| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Debt Service</u> |
|----------------------------|---------------------|-------------------|---------------------------|
| 2018 | \$ 95,148 | \$ 71,517 | \$ 166,665 |
| 2019 | 95,822 | 65,739 | 161,561 |
| 2020 | 97,159 | 63,247 | 160,406 |
| 2021 | 98,570 | 60,695 | 159,265 |
| 2022 | 100,059 | 58,037 | 158,096 |
| 2023-2027 | 246,091 | 196,050 | 442,141 |
| 2028-2032 | 85,797 | 151,118 | 236,915 |
| 2033-2037 | 121,628 | 115,287 | 236,915 |
| 2038-2042 | 172,423 | 64,492 | 236,915 |
| 2043-2045 | 91,611 | 7,104 | 98,715 |
| Total | <u>\$ 1,204,308</u> | <u>\$ 853,286</u> | <u>\$ 2,057,594</u> |

NOTE 6 – COMPENSATED ABSENCES

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Unused vacation and sick pay are accrued in the government wide and proprietary fund financial statements.

NOTE 7 – OTHER POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The District has a single-employer postemployment benefit plan which provides postretirement health care benefits through the CalPERS healthcare program (PEMHCA) to eligible employees who retire directly from the District. The District pays the cost of medical premiums for the lifetime of the retiree and his or her spouse up to a maximum amount of \$ 414 per month. The District does not provide a retiree contribution for dental, vision, or life insurance benefits.

In order to be eligible for the District's contribution, the employee must have worked a minimum of 5 years with the District and be at least 50 years old in order to qualify for medical benefits. Benefit provisions are established by the Board of Directors.

Funding Policy

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

SALTON COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

**NOTE 7 – OTHER POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS
(CONTINUED)**

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 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 22 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in its net OPEB obligation to the Retiree Health Plan:

| | |
|--|-----------------------------|
| Annual required contribution | \$ 116,138 |
| Interest on net OPEB obligation | -0- |
| Adjustment to annual required contribution | -0- |
| Annual OPEB cost (expense) | <u>116,138</u> |
| Contributions made | <u>65,551</u> |
| Increase in net OPEB obligation | 50,587 |
| Net OPEB obligation – beginning of year | <u>-0-</u> |
| Net OPEB obligation – end of year | <u><u>\$ 50,587</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 current fiscal year is as follows:

| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|------------------------------|---------------------------------|---|--------------------------------|
| June 30, 2016 | \$ 116,138 | 56% | \$ 50,587 |

SALTON COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 – OTHER POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS
(CONTINUED)

Funding Status and Funding Progress

As of July 1, 2010 the actuarial accrued liability (AAL) for benefits was \$1,291,632, 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 accrued 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.

The following simplifying assumptions were made:

Retirement age for active employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 59, or at the first subsequent year in which the member would qualify for benefits.

Mortality – Life expectancies at the calculation date are based on the most recent mortality tables published by the National Center for Health Statistics website (www.cdc.gov). The calculation of OPEB liability for each year is based on the assumption that all participants will live until their expected age as displayed in the mortality tables. The current age for the retiree's spouse is assumed to be the same as that of the retiree.

Turnover – The probability that an employee will remain employed until the assumed retirement age was determined using non-group-specific age-based turnover data

SALTON COMMUNITY SERVICES DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2017

**NOTE 7 – OTHER POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS
 (CONTINUED)**

provided in Table 1 in paragraph 35 of GASB Statement No. 45. In addition the expected future working lifetimes of employees were determined using Table 2 in paragraph 35c of GASB Statement No. 45.

Healthcare cost trend rate – Healthcare cost trend rates were selected based on a combination of national and state trend surveys as well as professional judgment. The ultimate trend rate was 6.0%. The medical costs are capped at \$414 per month.

Health insurance premiums – 2010-11 health insurance premiums for retirees were used as a basis for calculation of the present value of total benefits to be paid. An employee is assumed to continue with the same medical plan upon retirement. If an employee waived medical coverage, then such waiver is assumed to continue into retirement.

Medicare Coordination – Medicare was assumed as the primary payer for current and future retirees at age 59.

Payroll increase – Changes in the payroll for current employees are expected to increase at a rate of approximately 2.8% annually.

Discount rate – The calculation used an annual discount rate of 2%. This is based on the assumed long-term return on plan assets or employer assets.

Actuarial cost method – The entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at July 1, 2016 was twenty-nine years.

Plan for Funding

On an ongoing basis, the District will be reviewing its assumptions, comparing them against actual experience and recalculation the needed funding with the goal of paying for postemployment benefits out of interest earned on designated funds.

Required Supplementary Information: Schedule of Funding Progress

| Actuarial Valuation Date | Actuarial Liability (AAL) Entry Age (a) | Accrued Value of Assets (b) | Actuarial Liability (UAAL) (a-b) | Unfunded Funded Status (b/a) | Annual Covered Payroll (c) | UAAL as a % of payroll ((a-b)/c) |
|--------------------------|---|-----------------------------|----------------------------------|------------------------------|----------------------------|----------------------------------|
| 07/01/10 | \$1,291,632 | \$ 0 | \$1,291,632 | 0% | \$495,550 | 260.6% |

SALTON COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8: General Information about the Pension Plans

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS Financial Office. 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.

- A. **Plan Descriptions** – All qualified permanent and probationary employees are eligible to participate in the District's separate Safety (fire) and Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension 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.

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 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

SALTON COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8: General Information about the Pension Plans (continued)

The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

| | <u>Miscellaneous</u> | |
|---|-------------------------------------|--|
| | <u>Prior to January 1, 2013</u> | <u>On or After January 1, 2013</u> |
| Hire date | | |
| Benefit formula | 2% at 60 | 2% at 62 |
| Benefit vesting schedule | 5 years of service | 5 years of service |
| Benefit payments | monthly for life | monthly for life |
| Retirement age | 50 to 67 | 52 to 67 |
| Monthly benefits, as a % of eligible compensation | 1.1% to 2.4% | 1.0% to 2.5% |
| Required employee contribution rates | 7.0% * | 7.0% * |
| Required employer contribution rates | 11.6% | 6.2% |

| | <u>Safety</u> | |
|---|-------------------------------------|--|
| | <u>Prior to January 1, 2013</u> | <u>On or After January 1, 2013</u> |
| Hire date | | |
| Benefit formula | 0.5% at 55 | 2.0% at 57 |
| Benefit vesting schedule | 5 years of service | 5 years of service |
| Benefit payments | monthly for life | monthly for life |
| Retirement age | 50 to 55 | 50 to 55 |
| Monthly benefits, as a % of eligible compensation | 1.8% to 2.5% ** | 1.4% to 2.0% |
| Required employee contribution rates | 7.0% * | 7.0% * |
| Required employer contribution rates | 0.0% | 0.0% |

* District pays the employees' share of contributions on behalf of employees

** In this plan, the benefit factor also varies by entry age. The factors shown are for members with an entry age of 35 or greater.

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 both Plans are 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.

As of June 30, 2017, the District reported net pension liabilities (assets) for its proportionate shares of the net pension liability of each Plan as follows:

| | <u>Proportionate Share of Net Pension Liability</u> |
|---------------|---|
| Miscellaneous | 353,431 |
| Safety | (374,003) |
| Total | <u>(20,572)</u> |

SALTON COMMUNITY SERVICES DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 8: General Information about the Pension Plans (continued)

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

The District's net pension liability (asset) for each Plan is measured as the proportionate share of the net pension liability. The net pension liability (asset) of each of the Plans is measured as of June 30, 2016, and the total pension liability for each Plan used to calculate the net pension liability (asset) 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 (asset) was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability (asset) for each Plan as of June 30, 2017 and 2016 was as follows:

| | <u>Miscellaneous</u> | <u>Safety</u> | <u>Total</u> |
|------------------------------|----------------------|---------------|--------------|
| Proportion - June 30, 2015 | 0.00735% | -0.00909% | -0.00252% |
| Proportion - June 30, 2016 | 0.01017% | -0.00722% | -0.00024% |
| Change - Increase/(Decrease) | 0.00282% | 0.00186% | 0.00228% |

For the year ended June 30, 2017, the District recognized pension expense of \$89,867. At June 30, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between Expected and Actual Experience | 1,326 | - |
| Changes of Assumptions | - | 20,230 |
| Differences between Projected and Actual Investment Earnings | 104,990 | - |
| Differences between Employer's Contributions and Proportionate Share of Contributions | - | 39,552 |
| Change in Employer's Proportion | 24,544 | 28,412 |
| Pension Contributions Made Subsequent to Measurement Date | 44,422 | - |
| | <u>175,283</u> | <u>88,194</u> |

The District reported \$44,422 as deferred outflows of resources related to contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

SALTON COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8: General Information about the Pension Plans (continued)

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

| <u>Fiscal Year Ending June 30:</u> | <u>Miscellaneous</u> | <u>Safety</u> | <u>Total</u> |
|------------------------------------|----------------------|-----------------|------------------|
| 2018 | \$ (9,191) | \$ (10,832) | \$ (20,023) |
| 2019 | (3,264) | (9,458) | (12,722) |
| 2020 | 49,163 | (951) | 48,212 |
| 2021 | 25,876 | 1,325 | 27,200 |
| 2022 | - | - | - |
| Thereafter | - | - | - |
| | <u>62,584</u> | <u>(19,917)</u> | <u>\$ 42,667</u> |

Actuarial Assumptions – The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

| | <u>Miscellaneous</u> | <u>Safety</u> |
|---------------------------|---------------------------------|---------------|
| Valuation Date | June 30, 2015 | June 30, 2015 |
| Measurement Date | June 30, 2016 | June 30, 2016 |
| Actuarial Cost Method | Entry-Age Normal Cost Method | |
| Actuarial Assumptions: | | |
| Discount Rate | 7.65% | 7.65% |
| Inflation | 2.75% | 2.75% |
| Payroll Growth | 3.0% | 3.0% |
| Projected Salary Increase | Varies by entry age and service | |
| Investment Rate of Return | 7.65% (1) | 7.65% (1) |
| Mortality | Based on CalPERS specific data | |

(1) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2015 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.65% for each Plan. 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 result 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 6.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

SALTON COMMUNITY SERVICES DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 8: General Information about the Pension Plans (continued)

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

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 of 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 was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

| Asset Class | New Strategic Allocation | Real Return Years 1 - 10(a) | Real Return Years 11+(b) |
|-------------------------------|--------------------------------|--------------------------------|-----------------------------|
| Global Equity | 47% | 5.25% | 5.71% |
| Global Fixed Income | 19% | 0.99% | 2.43% |
| Inflation Sensitive | 6% | 0.45% | 3.36% |
| Private Equity | 12% | 6.83% | 6.95% |
| Real Estate | 11% | 4.50% | 5.13% |
| Infrastructure and Forestland | 3% | 4.50% | 5.09% |
| Liquidity | 2% | -0.55% | -1.05% |
| Total | 100% | | |

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

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

SALTON COMMUNITY SERVICES DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 8: General Information about the Pension Plans (continued)

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

Sensitivity of the Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate – The following presents the District’s proportionate share of the net pension liability (asset) for each Plan, calculated using the discount rate for each Plan, as well as what the District’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

| | Discount Rate -1% 6.65% | Current Discount Rate 7.65% | Discount Rate +1% 8.65% |
|--|----------------------------|--------------------------------|----------------------------|
| Employer's Net Pension Liability/(Asset) - Miscellaneous | 671,318 | 353,431 | 90,714 |
| Employer's Net Pension Liability/(Asset) - Safety | (372,201) | (374,003) | (375,482) |
| Employer's Net Pension Liability/(Asset) - Total | 299,116 | (20,572) | (284,768) |

Pension Plan Fiduciary Net Position – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

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REQUIRED SUPPLEMENTARY INFORMATION

SALTON COMMUNITY SERVICES DISTRICT
Required Supplementary Information
For the Fiscal Year Ended June 30, 2017

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (ASSET)**

| | Reporting Fiscal Year (Measurement Date) | | |
|---|---|----------------|----------------|
| | Miscellaneous Plans | | |
| | 2017 (2016) | 2016 (2015) | 2015 (2014) |
| Last 10 Fiscal Years* | | | |
| Proportion of the net pension liability (asset) | 0.0102% | 0.0074% | 0.0058% |
| Proportionate share of the net pension liability (asset) | \$ 353,431 | \$ 201,654 | \$ 142,579 |
| Covered - employee payroll | \$ 450,100 | \$ 436,990 | \$ 568,458 |
| Proportionate share of the net pension liability (asset) as percentage of covered-employee payroll | 78.52% | 46.15% | 25.08% |
| Plan fiduciary net position as a percentage of the total pension liability | 75.87% | 79.89% | 81.15% |

| | Reporting Fiscal Year (Measurement Date) | | |
|---|---|----------------|----------------|
| | Safety Plans | | |
| | 2017 (2016) | 2016 (2015) | 2015 (2014) |
| Last 10 Fiscal Years* | | | |
| Proportion of the net pension liability (asset) | 0.0072% | 0.0091% | -0.0012% |
| Proportionate share of the net pension liability (asset) | \$ (374,003) | \$ (374,390) | \$ (375,335) |
| Covered - employee payroll | \$ 54,026 | \$ 54,452 | \$ 34,343 |
| Proportionate share of the net pension liability (asset) as percentage of covered-employee payroll | -692.26% | -713.78% | -1092.90% |
| Plan fiduciary net position as a percentage of the total pension liability | 72.69% | 77.27% | 78.83% |

*Fiscal year 2016 was the first year of implementation. Additional years will be presented as they become available.

SALTON COMMUNITY SERVICES DISTRICT
 Required Supplementary Information
 For the Fiscal Year Ended June 30, 2017

SCHEDULE OF CONTRIBUTIONS

| | Reporting Fiscal Year (Measurement Date) | | |
|---|---|----------------|----------------|
| | Miscellaneous Plans | | |
| | 2017 (2016) | 2016 (2015) | 2015 (2014) |
| Last 10 Fiscal Years | | | |
| Contractually required contribution (actuarially determined) | \$ 56,774 | 56,774 | \$ 39,720 |
| Contributions in relation to the actuarially determined contributions | 56,774 | 56,774 | 39,720 |
| Contribution deficiency (excess) | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> |
| Covered-employee payroll | \$ 450,100 | 436,990 | \$ 568,458 |
| Contributions as a percentage of covered-employee payroll | 12.614% | 12.992% | 6.987% |

| | Reporting Fiscal Year (Measurement Date) | | |
|---|---|----------------|----------------|
| | Safety Plans | | |
| | 2017 (2016) | 2016 (2015) | 2015 (2014) |
| Last 10 Fiscal Years | | | |
| Contractually required contribution (actuarially determined) | \$ 3,023 | \$ 3,023 | \$ 2,967 |
| Contributions in relation to the actuarially determined contributions | 3,023 | 3,023 | 2,967 |
| Contribution deficiency (excess) | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> |
| Covered-employee payroll | \$ 54,026 | \$ 52,452 | \$ 34,343 |
| Contributions as a percentage of covered-employee payroll | 5.595% | 5.763% | 8.639% |

*Fiscal year 2016 was the first year of implementation. Additional years will be presented as they become available.

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SUPPLEMENTARY INFORMATION

SALTON COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

CHANNEL MAINTENANCE

| REVENUES: | Budget | Actual | Variance Positive (Negative) |
|---------------------------------|------------|------------|------------------------------------|
| Taxes | \$ 8,900 | \$ 6,974 | \$ (1,926) |
| Interest | 1,800 | 4,548 | 2,748 |
| Total Revenue | 10,700 | 11,522 | 822 |
| EXPENDITURES | | | |
| Administrative Expenditures | 1,605 | 1,728 | (123) |
| Total Expenditures | 1,605 | 1,728 | (123) |
| Change in Fund Balance | 9,095 | 9,794 | 699 |
| FUND BALANCE, BEGINNING OF YEAR | 622,274 | 622,274 | -0- |
| FUND BALANCE, END OF YEAR | \$ 631,369 | \$ 632,068 | \$ 699 |

SEE AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

SALTON COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION-BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

SEWER CONSTRUCTION

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---------------------------------|----------------------|----------------------|---|
| OPERATING REVENUE: | | | |
| Charges for Services | \$ -0- | \$ -0- | \$ -0- |
| Other Revenue | -0- | -0- | -0- |
| | <hr/> | <hr/> | <hr/> |
| Total Revenue | -0- | -0- | -0- |
| | <hr/> | <hr/> | <hr/> |
| EXPENDITURES: | | | |
| Administrative Expenditures | 1 | 2 | (1) |
| Other Expenditures | -0- | -0- | -0- |
| | <hr/> | <hr/> | <hr/> |
| Total Expenditures | 1 | 2 | (1) |
| | <hr/> | <hr/> | <hr/> |
| Change in Fund Balance | (1) | (2) | 1 |
| NON OPERATING REVENUE: | | | |
| Interest Earnings | 30 | 73 | 43 |
| | <hr/> | <hr/> | <hr/> |
| Total Non Operating Income | 30 | 73 | 43 |
| | <hr/> | <hr/> | <hr/> |
| Capital Contributions | -0- | 2,000 | (2,000) |
| | <hr/> | <hr/> | <hr/> |
| Change in Fund Balance | (29) | 2,071 | 2,100 |
| | <hr/> | <hr/> | <hr/> |
| NET POSITION, BEGINNING OF YEAR | 15,225,820 | 15,225,820 | -0- |
| | <hr/> | <hr/> | <hr/> |
| NET POSITION, END OF YEAR | <u>\$ 15,225,791</u> | <u>\$ 15,227,891</u> | <u>\$ 2,100</u> |

SEE AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

SALTON COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

SEWER MAINTENANCE

| REVENUES: | <u>Adopted Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|---------------------------|---------------------|---|
| Sewer User Charges | \$ 1,492,991 | \$ 1,733,284 | \$ 240,293 |
| Other Income | 73,520 | 109,509 | 35,989 |
| Total Revenue | <u>1,566,511</u> | <u>1,842,793</u> | <u>276,282</u> |
| EXPENDITURES | | | |
| Administrative Expenditures | 425,118 | 384,943 | 40,175 |
| Sewer Maintenance | 1,090,753 | 1,201,071 | (110,318) |
| Total Expenditures | <u>1,515,871</u> | <u>1,586,014</u> | <u>(70,143)</u> |
| Operating Income | <u>50,640</u> | <u>256,779</u> | <u>206,139</u> |
| NON OPERATING REVENUES (EXPENSES) | | | |
| Gain on sale of equipment | -0- | 16,050 | 16,050 |
| Interest Earnings | 282 | 4,227 | 3,945 |
| Interest Expense | (30,000) | (50,509) | (20,509) |
| Total Non Operating Revenues (Expenses) | <u>(29,718)</u> | <u>(30,232)</u> | <u>(514)</u> |
| Capital Contributions | <u>-0-</u> | <u>400</u> | <u>400</u> |
| Transfer in | -0- | 524,734 | 524,734 |
| Increase (decrease) in Net Position | 20,922 | 751,681 | 730,759 |
| NET POSITION, JULY 1, 2016 | <u>4,869,426</u> | <u>4,117,745</u> | <u>(751,681)</u> |
| NET POSITION, JUNE 30, 2017 | <u>\$ 4,890,348</u> | <u>\$ 4,869,426</u> | <u>\$ (20,922)</u> |

SEE AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

SALTON COMMUNITY SERVICES DISTRICT
 SCHEDULE OF SEWER MAINTENANCE EXPENSES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

| | |
|----------------------------------|--------------|
| Acturial Reports | 4,200 |
| Administration Fee Expense | \$ 384,943 |
| Advertising Expense | 5,083 |
| Aeiriation Expense | 7,052 |
| Bagged Ice Expense | 1,734 |
| Bank charges | 2,002 |
| Breakroom Expense | 463 |
| Building and grounds | 3,575 |
| Bulk drinking water | 436 |
| Copier Lease/Maintenance Expense | 2,351 |
| Drug Testing Expense | 865 |
| Equipment Purchases Expense | 13,503 |
| Insurance Premiums Expense | 36,378 |
| Laundry and Janitorial Expenses | 6,960 |
| Legal Expenses | 18,551 |
| License and Permit Expense | 32,046 |
| Office Expense | 919 |
| Other Expenses | (16,556) |
| Payroll processing expense | 1,909 |
| Physicals Expense | 265 |
| Postage Expense | 545 |
| Property Tax Collection Expense | 9,425 |
| Sales Tax Expense | 19 |
| Sewer System Expense | 61,247 |
| Shipping Expense | 107 |
| Training Expense | 7,420 |
| Travel expense | 3,243 |
| TRC repair project expense | 6,978 |
| Uncollectible debt expense | 42,676 |
| Utilities Expenses | 104,480 |
| Vehicle & Equipment Expenses | 65,146 |
| Wages and Benefits | 778,049 |
| | <hr/> |
| Total Expenses | \$ 1,586,014 |
| | <hr/> <hr/> |

SEE AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

