

**LAKE DON PEDRO
COMMUNITY SERVICES DISTRICT
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2020**

LAKE DON PEDRO COMMUNITY SERVICES DISTRICT

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

June 30, 2020

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, 2020. 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, 2020.

- Total assets of the District were \$7,579,173 in 2020 and \$7,273,155 in 2019, an increase of \$306,018.
- Total liabilities decreased by \$238,759 during the same period.
- Operating revenues increased by \$60,364 during the same period.
- Operating expenses increased by \$140,772.

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, 2020

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 were earned and expenses when incurred.

NET POSITION

As of June 30, 2020, the District had net position totaling \$4,934,226. Below is a table showing the District's net position at year end with comparative numbers for 2020 and 2019.

TABLE 1: NET POSITION

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>\$ Change</u>	<u>% Change</u>
Assets				
Cash and Investments	\$ 1,109,861	\$ 937,003	\$ 172,858	18.45%
Other Assets	436,189	493,532	(57,343)	-11.62%
Capital Assets-Net	<u>6,033,123</u>	<u>5,842,620</u>	<u>190,503</u>	<u>3.26%</u>
 Total Assets	 <u>7,579,173</u>	 <u>7,273,155</u>	 <u>306,018</u>	 <u>4.21%</u>
Liabilities				
Loan Payable	654,595	738,086	(83,491)	-11.31%
Other Liabilities	<u>1,990,352</u>	<u>2,145,620</u>	<u>(155,268)</u>	<u>-7.24%</u>
 Total Liabilities	 <u>2,644,947</u>	 <u>2,883,706</u>	 <u>(238,759)</u>	 <u>-8.28%</u>
Net Position				
Invested in Capital Assets, Net of Related Debt	5,378,528	5,104,534	273,994	5.37%
Unrestricted (Deficit)	<u>(444,302)</u>	<u>(715,085)</u>	<u>270,783</u>	<u>-37.87%</u>
 Total Net Position	 <u>\$ 4,934,226</u>	 <u>\$ 4,389,449</u>	 <u>\$ 544,777</u>	 <u>12.41%</u>

**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020**

NET POSITION (Continued):

The District has invested 109% of its total net position in capital assets, which total \$5,378,528, net of related debt.

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

GOVERNMENTAL ACTIVITIES

For the fiscal year 2019-2020, the District's total revenues exceeded expenses by \$544,777. Total revenues for the year were \$2,235,037. Of this, \$1,557,635 was received from operating revenues, \$3,987 from investment earnings, \$126,054 from miscellaneous sources and \$547,361 from various grants. Prior year's total revenue was \$2,225,811.

Expenses totaled \$1,690,260 attributable to water service. Prior year's expenses were \$1,553,535.

CAPITAL ASSETS

During fiscal year 2020, the District purchased a net amount of \$414,393 in capital assets with District and grant funds. The majority of capital asset additions were service lines and related costs.

TABLE 2: CAPITAL ASSETS

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>\$ Change</u>	<u>% Change</u>
Capital Assets				
Land	\$ 157,325	\$ 157,325	\$ -	0.00%
Plant and Structures	11,365,004	11,123,684	241,320	2.17%
Equipment and Vehicles	1,420,950	1,393,992	26,958	1.93%
Construction in Progress	544,438	398,323	146,115	36.68%
Less: Accumulated Depreciation	<u>(7,454,594)</u>	<u>(7,230,704)</u>	<u>(223,890)</u>	<u>3.10%</u>
Total Capital Assets -Net	<u>\$ 6,033,123</u>	<u>\$ 5,842,620</u>	<u>\$ 190,503</u>	<u>3.26%</u>

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

June 30, 2020

LONG-TERM DEBT

The Water District also had a loan with Municipal Finance Corporation for the Treatment Plant Upgrades with a balance of \$654,595. Payments of principal for 2020 and 2019 totaled \$79,507 and \$75,713, respectively. Interest expense for the fiscal years 2020 and 2019 totaled \$34,308 and \$38,355, 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 year ended June 30, 2020, 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 2019 financial statements which we audited and expressed an unqualified opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *State Controller's Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

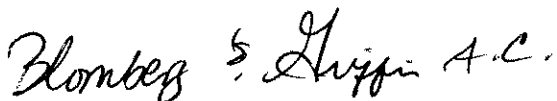
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Lake Don Pedro Community Services District, as of June 30, 2020, and the respective changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of required supplementary information on pages 1 through 4 and page 26, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Blomberg & Griffin A.C.
Stockton, California
December 17, 2020

LAKE DON PEDRO COMMUNITY SERVICES DISTRICT

Statement of Net Position - Proprietary Funds

June 30, 2020 and 2019

	Business-Type Activities Enterprise Fund	
	2020	2019
Assets		
Cash And Invesments	\$ 1,109,861	\$ 937,003
Accounts Receivable	171,165	166,123
Prepaid Expense	582	67,658
Inventory	69,932	69,932
Land	157,325	157,325
Construction In Progress	544,438	398,323
Fixed Assets	12,785,954	12,517,676
Accumulated Depreciation	(7,454,594)	(7,230,704)
Deferred Outflows of Resources- OPEB (Note-4)	66,944	66,944
Deferred Outflows of Resources- Pension (Note-6)	127,566	122,875
	<u>7,579,173</u>	<u>7,273,155</u>
Liabilities		
Current Liabilities:		
Accounts Payable	75,382	362,585
Interest Payable	9,450	10,657
Accrued Payroll	17,675	14,134
Loan Payable - current	87,676	83,491
Total Current Liabilities	<u>190,183</u>	<u>470,867</u>
Non-current Liabilities:		
Compensated Absences	54,957	46,466
Net OPEB Liability (Note-4)	1,376,220	1,329,681
Net Pension Liability (Note-5)	365,609	293,903
Loans Payable - noncurrent	566,919	654,595
Deferred Inflows of Resources- OPEB (Note-4)	38,713	38,713
Deferred Inflows of Resources- Pension (Note-6)	52,346	49,481
Total Non-current Liabilities	<u>2,454,764</u>	<u>2,412,839</u>
Total Liabilities	<u>2,644,947</u>	<u>2,883,706</u>
Net Position		
Invested In Capital Assets -		
Net of Related Debt	5,466,204	5,188,025
Unrestricted (Deficit)	<u>(531,978)</u>	<u>(798,576)</u>
Total Net Position	<u>\$ 4,934,226</u>	<u>\$ 4,389,449</u>

See accompanying notes to basic financial statements.

LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
Statement of Activities and Changes in Net Position - Proprietary Funds
For the Years Ended June 30, 2020 and 2019

	Business-Type Activities	
	Enterprise Fund	
	2020	2019
Operating Revenues		
Water Sales And Assessments	\$ 1,504,820	\$ 1,451,036
Transfer Connection and Meter Fees	31,878	18,945
Interest and Penalties On Delinquent Accounts	20,937	27,290
	<hr/>	<hr/>
Total Operating Revenues	1,557,635	1,497,271
	<hr/>	<hr/>
Operating Expenses		
Salaries And Benefits - Plant	264,296	221,925
Salaries And Benefits - Administrative	292,261	186,937
Post Retirement Benefit	195,973	111,673
Supplies And Services - Plant	480,997	508,271
Supplies And Services - Administrative	198,536	242,184
Depreciation	223,889	244,190
	<hr/>	<hr/>
Total Operating Expenses	1,655,952	1,515,180
	<hr/>	<hr/>
Operating Income (Loss)	(98,317)	(17,909)
	<hr/>	<hr/>
Nonoperating Revenues (Expenses)		
Grant Income (Drought Emergency)	547,361	667,064
Investment Earnings	3,987	3,758
Miscellaneous	126,054	57,718
Interest Expense	(34,308)	(38,355)
	<hr/>	<hr/>
Total Nonoperating Revenues (Expenses)	643,094	690,185
	<hr/>	<hr/>
Change In Net Position	544,777	672,276
	<hr/>	<hr/>
Total Net Position - Beginning of Year	4,389,449	3,717,173
	<hr/>	<hr/>
Total Net Position - End of Year	<u>\$ 4,934,226</u>	<u>\$ 4,389,449</u>

See accompanying notes to basic financial statements.

LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
Statement of Cash Flows - Proprietary Funds
For the Years Ended June 30, 2020 and 2019

	Business-Type Activities	
	Enterprise Fund	
	2020	2019
Cash Flows From Operating Activities		
Receipts From Customers	\$ 1,552,593	\$ 1,487,379
Payments To Suppliers	(904,351)	(517,185)
Payments To Employees	(619,388)	(407,638)
Net Cash Provided By (Used In) - Operating Revenues	<u>28,854</u>	<u>562,556</u>
Cash Flows From Non- Capital Financing Activities		
Miscellaneous Income	126,054	57,718
Net Cash Provided by (Used In) Non-Capital - Financing Activities	<u>126,054</u>	<u>57,718</u>
Cash Flows From Capital And Related - Financing Activities		
Grants Income	547,361	667,064
Capital Asset	(231,945)	(1,116,736)
Construction In Progress	(182,448)	(82,399)
Principal Payments On Long Term Debt	(83,491)	(79,507)
Interest Paid	(35,515)	(39,499)
Net Cash Provided by (Used In) Capital - And Related Financing Activities	<u>13,962</u>	<u>(651,077)</u>
Cash Flows From Investing Activities		
Interest Received	3,987	3,758
Net Cash Provided by (Used In) Investing Activities	<u>3,987</u>	<u>3,758</u>
Net Increase (Decrease) In Cash	172,857	(27,045)
Cash and Investments - Beginning	937,003	964,048
Cash and Investments - Ending	<u>\$ 1,109,860</u>	<u>\$ 937,003</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ (98,317)	\$ (17,909)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities		
Depreciation	223,889	244,190
Change in Assets and Liabilities		
Accounts Receivable	(5,042)	(9,892)
Prepaid Expenses and Other Current Assets	62,385	(18,820)
Accounts Payable	(287,203)	252,090
Accrued Expenses and other liabilities	12,032	8,094
Retirement Obligations	121,110	104,803
Net Cash Provided by (used for) Operating Activities	<u>\$ 28,854</u>	<u>\$ 562,556</u>

See accompanying notes to basic financial statements.

LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities, Net Position or Equity

1. Cash and Investments

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

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

2. Receivables and Payables

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

3. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2020 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, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Compensated Absences

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

7. Long-term Debt

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

8. Net Position & Fund Equity

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

All other net position is considered unrestricted.

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

9. Use of Estimates

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

**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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, 2020 and 2019 are classified in the accompanying financial statements as follows:

Statement of Net Position

	2020	2019
Cash and Investments	\$ 1,109,861	\$ 937,003

Cash and investments as of June 30, 2020 and 2019 consist of the following:

Cash on Hand	\$ 125	\$ 125
Deposits with Financial Institutions	936,322	767,451
Local Agency Investment Fund	173,414	169,427
Total Cash and Investments	\$ 1,109,861	\$ 937,003

LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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

Investments Authorized by the District's Investment Policy

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

Disclosures Relating to Interest Rate Risk

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

		Maturity Date
State Investment Pool	<u>\$ 173,414</u>	6.36 months average maturity
Total	<u><u>\$ 173,414</u></u>	

LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020, 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, 2020

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

Investment in State Investment Pool

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

Deferred Compensation Plan

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

B. Accounts Receivable

Receivables on June 30, 2020 and 2019 for the District's water services are sent monthly and are reflected on the accrual basis of accounting. Delinquent accounts are submitted to the Counties of Mariposa and Tuolumne and are attached to the County tax role. All receivables are expected to be collected within one year.

	Water	
	2020	2019
Business-Type Activities		
Utility Billings	\$ 164,515	\$ 166,123
Total	\$ 164,515	\$ 166,123

**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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

C. Payables and Other Liabilities

Payables on June 30, 2020 and 2019 for the District's individual major funds in the aggregate are as follows:

	<u>2020</u>	<u>2019</u>
Business-Type Activity		
Vendors	\$ 75,382	\$ 362,585
Salaries and Benefits	17,675	14,134
Accrued Compensated Absences	54,975	46,466
Interest Payable	9,450	10,657
	<u> </u>	<u> </u>
Total	<u>\$ 157,482</u>	<u>\$ 433,842</u>

D. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>Balance 2019</u>	<u>Increase</u>	<u>Adjustments</u>	<u>Balance 2020</u>
Business-Type Activities				
Capital Assets not Being Depreciated:				
Land	\$ 157,325	\$ -	\$ -	\$ 157,325
Construction in Progress	398,323	182,448	(36,333)	544,438
Total Capital Assets not Depreciated	<u>555,648</u>	<u>182,448</u>	<u>(36,333)</u>	<u>701,763</u>
Capital Assets Depreciated:				
Plant	10,685,165	231,945	36,333	10,953,443
Equipment	1,299,938	-	-	1,299,938
Structure	438,519	-	-	438,519
Vehicles	94,054	-	-	94,054
Total Capital Assets Depreciated	<u>12,517,676</u>	<u>231,945</u>	<u>36,333</u>	<u>12,785,954</u>
Less Accumulated Depreciation	<u>(7,230,704)</u>	<u>(223,890)</u>	<u>-</u>	<u>(7,454,594)</u>
Net Capital Assets Depreciated	<u>5,286,972</u>	<u>8,055</u>	<u>36,333</u>	<u>5,331,360</u>
Total Net Capital Assets - Business-Type Activities	<u>\$ 5,842,620</u>	<u>\$ 190,503</u>	<u>\$ -</u>	<u>\$ 6,033,123</u>

**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

**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	
	2020	2019
Depreciation Expense	\$ 223,889	\$ 244,190
Total	\$ 223,889	\$ 244,190

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 Finance 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:

<u>Year Ending June 30,</u>	Muni	
	Principal	Interest
2021	\$ 87,676	\$ 31,330
2022	92,069	26,937
2023	96,683	22,323
2024-2027	378,167	452,527
Total	\$ 654,595	\$ 533,117

**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

**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, 2020:

	<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	\$ 738,086	\$ -	\$ (83,491)	\$ 654,595	\$ 87,676
Compensated Absences	46,466	8,491	-	54,957	5,496
Total Long-Term Liabilities	<u>\$ 784,552</u>	<u>\$ 8,491</u>	<u>\$ (83,491)</u>	<u>\$ 709,552</u>	<u>\$ 93,172</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 District's for insurance coverage under Special District Risk Management Authority (SDRMA). The District pays an annual premium to SDRMA for its general insurance coverage.

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

B. Commitments and Contingencies

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

C. Post-Employment Benefits

The District implemented GASB Statement No. 75, *Financial Reporting for Postemployment Benefit Plans (OPEB) other than Pension Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pension Plans* in FYE 2020. The District provides certain health care benefits which are recognized as an expenditure of health care premiums paid.

**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 - OTHER INFORMATION (Continued)

Significant Actuarial Assumptions Used for Total OPEB Liability:

Actuarial Assumption	June 30, 2018 Measurement Date
Actuarial Valuation Date	30-Jun-18
Contribution Policy	No pre-funding
Discount Rate	3.87% at June 30, 2018, and 3.50% at June 30, 2019 (Bond Buyer 20-bond Index)
General Inflation	2.75% annually
Mortality, Retirement, Disability, Termination	CalPERS 1997-2015 Experience Study
Mortality Improvement	Post-retirement mortality projected fully generational with Scale MP-17
Salary Increases	Aggregate - 3% Annually. Merit - Tables from CalPERS 1997-2015 Experience Study
Medical Trend	Non-Medicare - 7.5% fro 2020, decreasing to an ultimate rate of 4.0% in 2076 and later years. Medicare - 6.5% for 2020, decreasing to an ultimate rate of 4.0% in 2076 and later years.
Medical Participation at Retirement	100%
Medical Plan at Retirement	Currently covered - Same as current election Currently waived - n/a

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

Net estimated OPEB Liability as of June 30, 2020 measurement date: \$1,376,220.

Sensitivity of Total estimated OPEB Liability: Changes in the Discount Rate

	<u>1% Decrease</u> <u>(2.50%)</u>	<u>Current Rate</u> <u>(3.50%)</u>	<u>1% Increase</u> <u>(4.50%)</u>
Total OPEB Liability	\$ 1,589,375	\$ 1,376,220	\$ 1,126,562
<u>Changes in the Healthcare Trend Rate</u>			
	<u>1% Decrease</u>	<u>Current Trend</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 1,081,598	\$ 1,376,220	\$ 1,668,876

**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 - OTHER INFORMATION (Continued)

Schedule of estimated OPEB Expenses for Fiscal Year Ended June 30, 2020:

Changes in Total OPEB Liability	
Balances at 6/30/2019	\$ 1,329,681
Changes for the year	
Service Cost	-
Interest	46,539
Benefit changes	-
Assumption changes	-
Benefit payments	-
	46,539
Net Changes	46,539
Balance at 6/30/2020	\$ 1,376,220

Deferred Inflows/Outflows of Resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ -	\$ -
Changes of Assumptions	66,944	38,713
Employer Contribution Made Subsequent to Measurement Date	-	-
	66,944	38,713
Total	\$ 66,944	\$ 38,713

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

Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2021	\$ 3,759
2022	3,759
2023	5,798
2024	11,156
2025	3,759
Thereafter	-
	\$ 28,231

**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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

DEFINED BENEFITS PENSION PLANS – Miscellaneous Plan

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

Plan Description, Benefits Provided and Employees Covered

The plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees; Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2019 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2019 actuarial valuation report. This report is a publically available valuation report that can be obtained at CalPERS' website under Forms and Publications.

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and contribution rate of employees. For the measurement period ended June 30, 2019 (the measurement date), the active employee contribution rate is 6.915 percent of annual pay, and the average employer's contribution rate is 8.668 percent of annual payroll. Employer contributions rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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

DEFINED BENEFITS PENSION PLANS – Miscellaneous Plan (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2019 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2018 total pension liability. Both the June 30, 2018 total pension liability and the June 30, 2019 total pension liability were based on the following actuarial methods and assumptions.

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.75% 2018, 2.50% 2019, 2.50% 2020
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Delivered using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies,

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely results in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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

DEFINED BENEFITS PENSION PLANS – Miscellaneous Plan (Continued)

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

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Net Pension Liability	\$610,283	\$365,609	\$163,648

PENSION EXPENSE AND DEFERRED OUTFLOWS AND DEFERRED INFLOWS

For the fiscal years ended June 30, 2020 and 2019, pension expense recognized is as follows:

	2020	2019
Service Cost	\$ 38,265	\$ 32,287
Interest on Total Pension Liability	110,698	90,238
Changes of Benefits Terms	117	53
Recognize Changes of Assumptions	18,359	11,907
Recognize difference between Expected and Actual Experience	8,228	2,305
Net Plan to Plan Resource Movement	(2,579)	(9,323)
Employee Contributions	(16,860)	(14,025)
Projected Earnings on Pension Plan Investment	(85,489)	(68,388)
Recognize difference between Project and Actual Earnings on Plan Investment	14,551	(2,932)
Administrative Expenses	863	1,472
Other Miscellaneous Income	(3)	2,796
Pension Expense	\$ 86,150	\$ 46,390

**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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

DEFINED BENEFITS PENSION PLANS – Miscellaneous Plan (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 17,434	\$ 6,180
Difference between Expected and Actual Experience	25,393	1,967
Difference between Projected and and Actual Investment	-	6,393
Difference between Employer's Contribution and Proportionate Share of Contribution	-	37,806
Changes in Employer's Proportion Pension Contribution Made Subsequent to Measurement Date	54,002	-
	30,737	-
Total	\$ 127,566	\$ 52,346

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

Measurement Period Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	\$ 46,459
2022	9,283
2023	13,795
2024	5,683
2025	-
Thereafter	-

NOTE 6 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 08, 2021, the date which the financial statements were available to be issued.

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

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

	2020	2019	2018	2017	2016
Plan's Proportion of the Net Pension Liability/(Asset)	0.00913%	0.00228%	0.00313%	0.00563%	0.001%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 365,609	\$ 293,903	\$ 310,692	\$ 195,610	\$ 131,415
Plan's Covered-Employee Payroll	\$ 187,310	\$ 174,303	\$ 191,364	\$ 165,150	\$ 77,723
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	162.36%	162.36%	162.36%	84.43%	55.03%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	79.43%	81.91%	73.31%	84.80%	88.70%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ -	\$ -	\$ -	\$ -	\$ -

Schedule of Plan Contributions

	2020	2019	2018	2017	2016
Actuarially Determined Contribution	\$ 30,373	\$ 29,653	\$ 23,815	\$ 21,388	\$ 18,621
Contributions in Relation to the Actuarially Determined Contribution	(30,373)	(29,653)	(23,815)	(21,388)	(18,621)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll	\$ 174,478	\$ 174,478	\$ 174,478	\$ 165,150	\$ 72,723
Contributions as a Percentage of Covered-Employee Payroll	17.41%	17.00%	13.65%	12.95%	25.61%

Notes to Schedule

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2018 as they have minimal cost impact.

Change in Assumptions: None