

**LAKE DON PEDRO
COMMUNITY SERVICES DISTRICT**

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2015

LAKE DON PEDRO COMMUNITY SERVICES DISTRICT

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JUNE 30, 2015

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LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

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, 2015. 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, 2015.

- Total assets of the District were approximately \$4,858,152 in 2015 and \$5,129,935 in 2014, a decrease of approximately \$271,783.
- Total liabilities increased by approximately \$315,532 during the same period.
- Operating revenues decreased approximately \$77,185 during the same period.
- Operating expenses increased by \$400,488.

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, 2015

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

FUND FINANCIAL STATEMENTS

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

NET POSITION

As of June 30, 2015, the District had net position totaling \$2,584,142. Below is a table showing the District's net position at year end with comparative numbers for 2014.

TABLE 1: NET POSITION

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Assets		
Cash and Investments	\$ 1,290,355	\$ 1,526,679
Other Assets	265,139	280,416
Capital Assets-Net	<u>3,302,658</u>	<u>3,322,840</u>
 Total Assets	 <u>4,858,152</u>	 <u>5,129,935</u>
 Liabilities		
Long-Term Liabilities	1,034,065	1,099,448
Other Liabilities	<u>1,239,945</u>	<u>859,031</u>
 Total Liabilities	 <u>2,274,010</u>	 <u>1,958,479</u>
 Net Position		
Invested in Capital Assets, Net of Related Debt	2,268,593	2,223,392
Restricted - Debt Service	-	-
Unrestricted	<u>315,549</u>	<u>948,064</u>
 Total Net Position	 <u>\$ 2,584,142</u>	 <u>\$ 3,171,456</u>

LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

NET POSITION (Continued):

The District has invested 88% of its total net position in capital assets, which total \$2,268,593, net of related debt.

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

Unrestricted net position total \$315,549 with \$162,092 being accessed with Board approval and the remainder without approval. These represent resources that the District may use to provide services to its users and meet its obligations to creditors. The District currently does not have completely restricted funds.

GOVERNMENTAL ACTIVITIES

The District's total expenses exceeded revenues by \$332,222. Total revenues for the year were \$1,522,531. Of this, \$1,494,756 was received from operating revenues, \$771 from investment earnings, and \$27,004 from miscellaneous sources. Prior year's total revenue was \$1,591,043.

Expenses totaled \$1,854,753 attributable to water service. Prior year's expenses were \$1,454,776.

CAPITAL ASSETS

At the end of June 2015, the District purchased a net amount of \$-0- in capital assets with District funds and disposed of \$-0- in capital assets.

TABLE 2: CAPITAL ASSETS

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Capital Assets		
Land	\$ 157,325	\$ 157,325
Plant and Structures	8,068,538	8,068,538
Equipment and Vehicles	855,792	855,792
Construction in Progress	720,674	564,818
Less: Accumulated Depreciation	<u>(6,499,671)</u>	<u>(6,323,633)</u>
 Total Capital Assets -Net	 <u>\$ 3,302,658</u>	 <u>\$ 3,322,840</u>

**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015**

CAPITAL ASSETS (Continued):

This year's major additions included:

Construction in Progress:

Intake Barge Improvements	\$ 43,993
Treatment Plant Upgrade	72,313
Auto Meter Read/Replace	6,550
Filter Media Replacement	<u>33,000</u>
Total	<u>\$ 155,856</u>

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

LONG-TERM DEBT

The Water District also had a loan with Municipal Finance Corporation for the Treatment Plant Upgrades with a balance of \$1,034,065. Payments of principal for 2015 and 2014 totaled \$65,412.62 and \$62,262.50, respectively. Interest paid for 2015 and 2014 totaled \$52,783.46 and \$53,293.58, respectively.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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



Blomberg & Griffin Accountancy Corporation
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of governmental activities of Lake Don Pedro Community Services District, as of and for the years ended June 30, 2015, 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 2014 financial statements which were audited by other auditors whom expressed an unqualified opinion.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Lake Don Pedro Community Services District, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

Blomberg & Griffin A.C.

Blomberg & Griffin A.C.
Stockton, California
January 8, 2016

LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
Statement of Net Position - Proprietary Funds
June 30, 2015 and 2014

	Business-Type Activities	
	Enterprise Fund	
	2015	2014
Asset		
Cash And Invesments	\$ 1,290,355	\$ 1,526,679
Accounts Receivable	150,305	169,380
Prepaid Expense	43,791	41,390
Inventory	69,931	69,646
Land	157,325	157,325
Construction In Progress	720,674	564,818
Fixed Assets	8,924,330	8,924,330
Accumulated Depreciation	(6,499,671)	(6,323,633)
Deferred Outflows of Resources- Pension	1,112	-
Total Assets	4,858,152	5,129,935
Liabilities		
Accounts Payable	113,112	56,701
Interest Payable	14,910	15,750
Accrued Payroll	10,258	12,108
Compensated Absences	25,569	25,334
Post Retirement Benefit Obligation	830,950	749,138
Net Pension Liability	188,741	-
Loans Payable	1,034,065	1,099,447
Deferred Inflows of Resources- Pension	56,405	-
Total Liabilities	2,274,010	1,958,478
Net Position		
Invested In Capital Assets -	-	-
Net of Related Debt	2,268,593	2,223,392
Restricted	-	-
Unrestricted	315,549	948,065
Total Net Position	\$ 2,584,142	\$ 3,171,457

See accompanying notes to basic financial statements.

LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
Statements of Activities and Changes in Net Position - Proprietary Funds
For the Years Ended June 30, 2015 and 2014

	Business-Type Activities Enterprise Fund	
	2015	2014
Operating Revenues		
Water Sales And Assessments	\$ 1,422,959	\$ 1,493,659
Transfer Connection and Meter Fees	50,099	55,315
Interest and Penalties On Delinquent Accounts	21,698	22,967
Total Operating Revenues	1,494,756	1,571,941
Operating Expenses		
Salaries And Benefits - Plant	256,748	233,978
Salaries And Benefits - Administrative	136,002	219,392
Post Retirement Benefit	117,151	186,838
Supplies And Services - Plant	802,233	418,539
Supplies And Services - Administrative	313,798	151,608
Depreciation	176,038	191,127
Total Operating Expenses	1,801,970	1,401,482
Operating Income (Loss)	(307,214)	170,459
Nonoperating Revenues (Expenses)		
Investment Earnings	771	1,262
Miscellaneous	27,004	17,840
Interest Expense	(52,783)	(53,294)
Total Nonoperating Revenues (Expenses)	(25,008)	(34,192)
Extraordinary Items		
Insurance Recovery	-	124,085
Total Extraordinary Items	-	124,085
Change In Net Position	(332,222)	260,352
Total Net Position - Beginning	3,171,456	2,911,104
Prior Period Adjustment- Note 6	(255,092)	-
Total Net Position - Ending	\$ 2,584,142	\$ 3,171,456

See accompanying notes to basic financial statements.

LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
Statements of Cash Flows - Proprietary Funds
For the Years Ended June 30, 2015 and 2014

	Business-Type Activities Enterprise Fund	
	2015	2014
Cash Flows From Operating Activities		
Receipts From Customers	\$ 1,513,831	\$ 1,578,255
Payments To Suppliers	(1,097,648)	(627,591)
Payments To Employees	(405,421)	(440,985)
Net Cash Provided By (Used In) - Operating Revenues	10,762	509,679
Cash Flows From Non-Capital Financing Activities		
Miscellaneous Income	27,004	17,840
Net Cash Provided by (Used In) Non-Capital - Financing Activities	27,004	17,840
Cash Flows From Capital And Related - Financing Activities		
Purchase of Capital Assets	-	
Insurance Proceeds Received	-	124,085
Construction In Progress	(155,856)	(109,254)
Principal Payments On Long Term Debt	(65,382)	(62,262)
Interest Paid	(53,623)	(56,744)
Net Cash Provided by (Used In) Capital - And Related Financing Activities	(274,861)	(104,175)
Cash Flows From Investing Activities		
Interest Received	771	1,262
Net Cash Provided by (Used In) Investing Activities	771	1,262
Net Increase (Decrease) In Cash	(236,324)	424,606
Cash and Investments - Beginning	1,526,679	1,102,073
Cash and Investments - Ending	\$ 1,290,355	\$ 1,526,679
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ (307,214)	\$ 170,459
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities		
Depreciation	176,038	191,127
Change in Assets and Liabilities		
Accounts Receivable	19,075	6,314
Prepaid Expenses and Other Current Assets	(2,686)	18,665
Accounts Payable	56,411	(38,119)
Accrued Expenses and other liabilities	(12,674)	12,385
Post Retirement Benefits Obligation	81,812	148,848
Net Cash Provided by (used for) Operating Activities	\$ 10,762	\$ 509,679

See accompanying notes to basic financial statements.

LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities, Net Position or Equity

1. Cash and Investments

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

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

2. Receivables and Payables

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

3. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2015 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, 2015

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, 2015**

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, 2015 and 2014 are classified in the accompanying financial statements as follows:

Statement of Net Position

	2015	2014
Cash and Investments	\$ 1,290,355	\$ 1,526,679

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

Cash on Hand	\$ 125	\$ 125
Deposits with Financial Institutions	1,128,138	1,364,857
Local Agency Investment Fund	162,092	161,697
Total Cash and Investments	\$ 1,290,355	\$ 1,526,679

**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

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

Investments Authorized by the District's Investment Policy

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

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of year-end, the weighted average maturity of the investments contained in the LAIF investment pool is approximately 7.92 months.

		Maturity Date
State Investment Pool	<u>\$ 162,092</u>	7.92 months average maturity
Total	<u><u>\$ 162,092</u></u>	

LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015, 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, 2015**

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

Investment in State Investment Pool

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

Deferred Compensation Plan

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

B. Accounts Receivable

Receivables at June 30, 2015 and 2014 for the District's water services are sent monthly and are reflected on the accrual basis of accounting. Delinquent accounts are submitted to the Counties of Mariposa and Tuolumne and are attached to the County tax roles. All receivables are expected to be collected within one year.

	Water	
	2015	2014
Business-Type Activities		
Utility Billings	\$ 150,305	\$ 169,380
Total	\$ 150,305	\$ 169,380

**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

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

C. Payables And Other Liabilities

Payables at June 30, 2015 and 2014 for the District's individual major funds in the aggregate are as follows:

	<u>2015</u>	<u>2014</u>
Business-Type Activity		
Vendors	\$ 113,112	\$ 56,701
Salaries and Benefits	10,258	12,108
Accrued Compensated Absences	25,569	25,334
Interest Payable	<u>14,910</u>	<u>15,750</u>
 Total	 <u>\$ 163,849</u>	 <u>\$ 109,893</u>

D. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

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

	<u>Balance 2014</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 2015</u>
Business-Type Activities				
Capital Assets not Being Depreciated:				
Land	\$ 157,325	\$ -	\$ -	
Construction	<u>564,818</u>	<u>155,856</u>	<u>-</u>	<u>720,674</u>
Total Capital Assets not Depreciated	<u>722,143</u>	<u>155,856</u>	<u>-</u>	<u>720,674</u>
Capital Assets Depreciated:				
Plant	7,648,519	-	-	7,648,519
Equipment	724,282	-	-	724,282
Structure	420,019	-	-	420,019
Vehicles	<u>131,510</u>	<u>-</u>	<u>-</u>	<u>131,510</u>
Total Capital Assets Depreciated	8,924,330	-	-	8,924,330
Less Accumulated Depreciation	<u>(6,323,633)</u>	<u>(176,038)</u>	<u>-</u>	<u>(6,499,671)</u>
Net Capital Assets Depreciated	<u>2,600,697</u>	<u>(176,038)</u>	<u>-</u>	<u>2,424,659</u>
 Total Net Capital Assets - Business-Type Activities	 <u>\$ 3,322,840</u>	 <u>\$ (20,182)</u>	 <u>\$ -</u>	 <u>\$ 3,302,658</u>

**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

**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	
	<u>2015</u>	<u>2014</u>
Depreciation Expense	<u>\$ 176,038</u>	<u>\$ 191,127</u>
Total	<u><u>\$ 176,038</u></u>	<u><u>\$ 191,127</u></u>

E. Long-Term Debt

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

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

<u>Year Ending June 30,</u>	Muni	
	<u>Principal</u>	<u>Interest</u>
2016	68,659	50,347
2017-2021	398,487	196,544
2022-2026	508,854	86,177
2027	<u>58,065</u>	<u>1,437</u>
Total	<u><u>\$ 1,034,065</u></u>	<u><u>\$ 334,505</u></u>

**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

**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, 2015:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-Type Activities					
Loans Payable	\$1,099,447	\$ -	\$ (65,382)	\$1,034,065	\$ 68,659
Compensated Absences	25,334	235	-	25,569	2,556
Total Long-Term Liabilities	<u>\$1,124,781</u>	<u>\$ 235</u>	<u>\$ (65,382)</u>	<u>\$1,059,634</u>	<u>\$ 71,215</u>

NOTE 4 - OTHER INFORMATION

A. Risk Management

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

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

B. Commitments and Contingencies

The District is a party in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the District that the matters are defensible. In the case that the District does not prevail the potential loss to the District is unknown at this time.

**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 - OTHER INFORMATION (Continued)

C. Post-Employment Benefits

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

Obligations and Funded Status Change in Benefit Obligation	<u>2015</u>
Benefit Obligation Beginning of Year	749,138
Annual Required Contribution	132,006
Interest Cost	28,958
Benefits Paid	(50,364)
Adjustment for NOO	<u>(28,788)</u>
Benefit Obligation End of Year	<u>\$ 830,950</u>

NOTE 5 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 8, 2016 the date which the financial statements were available to be issued.

**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 6 - 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, 2013 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2013 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, 2014 (the measurement date), the active employee contribution rate is 6.880 percent of annual pay, and the average employer's contribution rate is 6.786 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, 2015**

DEFINED BENEFITS PENSION PLANS – Miscellaneous Plan (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. Both the June 30, 2013 total pension liability and the June 30, 2014 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	7.50%
Inflation	2.75%
Projected Salary Increases	3.30% to 14.20% depending on Age, Service, and type of employment.
Payroll Growth	3.00%
Individual Salary Growth	A merit scale vaying by duration of employment coupled with an assumed annual growth of 2.75% and an annual production growth of 0.25%.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 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 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 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, 2015

DEFINED BENEFITS PENSION PLANS – Miscellaneous Plan (Continued)

Actuarially Determined Employer Contributions	Fiscal Year 2014-15
Employer Contributions (in Projected Dollars)	
Plan's Employer Normal Cost	\$18,978
Plan's Payment on Amortization Bases	3,860
Subcharge for Class 1 Benefits	
a) PRSA	2,026
Phase out of Normal Cost Difference	0
Amortization of Side Fund	(421)
Total Employer Contribution	24,443
 Projected Payroll for the Contribution Fiscal Year	 \$285,292
 Required Employer Contributions (Percentage of Payroll)	
Plan's Net Employer Normal Cost	6.652%
Plan's Payment on Amortization Bases	1.353%
Subcharge for Class 1 Benefits	
a) PRSA	0.710%
Phase out of Normal Cost Difference	0.000%
Amortization of Side Fund	-0.148%
Total Employer Contribution Rate	8.567%

The following presents the net pension liability/(assets) of the Plan as of the measurement date, calculated using the discount rate of 7.50 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 (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

	Discount Rate - 1% (6.50%)	Current Discount Rate (7.50%)	Discount Rate + 1% (8.50%)
Unfunded Accrued Liability	\$340,002	\$158,910	\$15,797

**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

DEFINED BENEFITS PENSION PLANS – Miscellaneous Plan (Continued)

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

PENSION EXPENSE AND DEFERRED OUTFLOWS AND DEFERRED INFLOWS

For the fiscal year ended June 30, 2015, pension expense recognized is as follows:

Service Cost:	
Covered Payroll	\$ 285,296
Contribution Rate	<u>8.567%</u>
Total Employer Contribution	24,443
Amortization of Deferred Outflows	370
Amortization of Deferred Inflows	<u>(16,958)</u>
Pension Expense Recognized	<u><u>\$ 7,855</u></u>

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

<u>Measurement Period Ended June 30,</u>	<u>Deferred Outflows of Resources</u>
2016	370
2017	370
2018	372

**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

DEFINED BENEFITS PENSION PLANS – Miscellaneous Plan (Continued)

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

<u>Measurement Period Ended June 30,</u>	<u>Deferred (Inflows) of Resources</u>
2016	(\$18,340)
2017	(\$18,340)
2018	(\$18,341)

In accordance with GASB 68, a prior period adjustment was reported to record the pension related adjustments.



Blomberg & Griffin Accountancy Corporation
Certified Public Accountant

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Lake Don Pedro Community Services District as of and for the year ended June 30, 2015, which collectively comprise Lake Don Pedro Community Services District's basic financial statements and have issued our report thereon dated January 8, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Lake Don Pedro Community Services District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lake Don Pedro Community Services District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Lake Don Pedro Community Services District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lake Don Pedro Community Services District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matter that are required to be reported under Government Auditing Standards.

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

Blomberg & Griffin A.C.

Blomberg & Griffin A.C.
Stockton, CA
January 8, 2016