MAJESTIC PINES
COMMUNITY SERVICES DISTRICT
COUNTY OF SAN DIEGO
JULIAN, CALIFORNIA

AUDIT REPORT
June 30, 2018

presented by

Douglas R. Ashbrook, CPA
San Diego, CA

MAJESTIC PINES
COMMUNITY SERVICES DISTRICT
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Douglas R. Ashbrook, CPA

Auditing, Taxation, Consulting

Member: American Institute of Certified Public Accountants and California Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Majestic Pines Community Services District
Julian, California

I have audited the accompanying financial statements of the business-type activity of the Majestic Pines Community Services District (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 my 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 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.

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Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity of the Majestic Pines Community Services District as of June 30, 2018 and the respective changes in financial position and cash flows 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 and state regulations governing special districts.

Report on Summarized Comparative Information

I have previously audited Majestic Pines Community Services District's June 30, 2017 financial statements, and I expressed an unmodified audit opinion on those audited financial statements in my report dated July 11, 2018. In my opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of a Matter

As discussed in Note 6 to the basic financial statements, the District has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB) during fiscal year 2018.

Other Matters - *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedule of Revenues Budget to Actual comparison information on pages 3 through 8 and Page 27, the California Public Employees' Retirement System Schedule of Majestic Pines Community Services District's Proportionate Share of the Net Pension Liability on page 24, the California Public Employees' Retirement System Schedule of Majestic Pines Community Services District's Contributions on page 25, the Other Postemployment Benefit Plan Schedule of Funding Progress on page 26, 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.

CPA SM

Digitally signed by Douglas Ashbrook, CPA
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August 28, 2019

Douglas R. Ashbrook, CPA

MAJESTIC PINES COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

The following discussion and analysis of Majestic Pines Community Services District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. Readers are encouraged to read this section in conjunction with the audited financial statements and their accompanying notes.

The District's Operations – an Overview

The District operates under the authority of the California Water Code and engages in activities classified as "proprietary." These activities are accounted for much like that of a private business and use the full accrual method of accounting for transactions. The major activities include production and treatment of groundwater and the sale and delivery of water to domestic accounts. The District also owns and operates vehicles and other equipment and machinery to support the various operating activities.

FINANCIAL HIGHLIGHTS

Revenues
Combined revenues for the fiscal year totaled $548,147 compared to a prior year of $502,751. This is a slight increase of 9.03%. Table 1-1 presents a comparison of revenues by category for the two fiscal years 2017/18 and 2016/17. In November 2016, the district announced water rates would increase 20% in January, 2017.

Expenses
Combined expenses for the fiscal year totaled $618,120 compared to a prior year of $623,483. This is a decrease of 0.86%. Table 1-1 presents a comparison of expenses by category for the two fiscal years 2017/18 and 2016/17.

Water Sales
Water sales totaled $251,823 an increase of 21.21% from the prior year. Ready-to-Serve sales totaled $262,419 a decrease of 1.58%. The increase in water rates in January, 2017 assisted in the increase in water sales. Weather plays a large role in customer water usage, making water sales difficult to forecast year to year.

Table 1-1

Majestic Pines Community Services District
Combined Revenues and Expenses by Category
For Fiscal Years Ended June 30, 2018 and 2017

	2017/2018		2016/2017		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	% Change
Revenues						
Water Sales	$ 251,823	45.94%	$ 207,755	41.32%	$ 44,068	21.21%
Ready to Serve Sales	262,419	47.87%	266,630	53.03%	(4,211)	-1.58%
Standby Charges	-	0.00%	12,578	2.50%	(12,578)	-100.00%
New Meters	25,000	4.56%	-	0.00%	25,000	
Service Accessories Sale	-	0.00%	-	0.00%	-	
Miscellaneous	-	0.00%	171	0.03%	(171)	-100.00%
Late Charges	1,453	0.27%	6,865	1.37%	(5,412)	-78.83%
Other Non-Operating	7,451	1.36%	8,752	1.74%	(1,301)	-14.86%
Total Revenues exclude Grants	548,147	100.00%	502,751	100.00%	45,396	9.03%
Total Revenues	548,147	100.00%	502,751	100.00%	45,396	9.03%
Expenses						
Administrative	62,606	10.13%	63,413	10.17%	(807)	-1.27%
Operations	65,221	10.55%	35,780	5.74%	29,440	82.28%
Depreciation & Amort.	130,421	21.10%	155,499	24.94%	(25,078)	-16.13%
Electricity	28,338	4.58%	25,416	4.08%	2,922	11.50%
Payroll & Benefits	298,708	48.33%	319,876	51.30%	(21,168)	-6.62%
Other Non-Operating	32,827	5.31%	23,499	3.77%	9,328	39.70%
Total Expenses	618,120	100.00%	623,483	100.00%	(5,362)	-0.86%
Income/(Loss)	(69,973)		(120,732)		50,759	-42.04%
Net Position-Beginning of Year	1,384,355		1,828,544		(444,189)	-24.29%
Prior Period Adjustment			(323,457)			
Net Position-End of Year	$ 1,314,382		$ 1,384,355		$ (69,973)	-5.05%

Capital Expenditures

The District did not have any capital improvement expenditures during the fiscal year 2017/18. In the fiscal year 2016/17, capital expenditures were $229,804, primarily for the Kentwood treatment plant improvement. It included water service line installations and upgrades.

Depreciation Expense

Depreciation and amortization expense of $130,421 decreased 16.13% from the past fiscal year due to the aging of assets with no new additions during the year.4

Operations Expense

Operations expense increased by $29,440 or 82.2% over past fiscal year due to increased expense to contractors.

Total Expenses

Total expenses were slightly lower than the past fiscal year due to decreased payroll costs and a decrease in depreciation and amortization which offset the increased Operations Expense.

Net Position

The District's net position decreased by $69,973 ending the fiscal year June 30, 2018 with a balance of $1,314,382. This is a decrease of 5.05% over the prior year and can be illustrated from the following table (1-2) that compares the various categories of assets, liabilities and net position for the two fiscal years ending June 30, 2017 and 2018.

Table 1-2

Majestic Pines Community Services District
Net Position
June 30, 2018 and 2017

			Increase/(Decrease)	
	2017/2018	**2016/2017**	**Amount**	**% Change**
Assets				
Current Assets	$ 537,112	$ 428,824	$ 108,287	25.25%
Restricted Assets	67,045	66,168	877	1.33%
Capital Assets	1,698,783	1,829,204	(130,421)	-7.13%
Deferred Outflows of Resources	48,570	50,694	(2,124)	-4.19%
Total Assets	$ 2,351,509	$ 2,374,890	$ (23,381)	-0.98%
Liabilities				
Current Liabilities	$ 53,928	$ 50,476	$ 3,452	6.84%
Non-Current Liabilities	921,770	931,809	(10,039)	-1.08%
Deferred Inflows of Resources	61,430	8,250	53,180	644.61%
Total Liabilities	1,037,128	990,535	46,593	4.70%
Net Position				
Investment in capital assets net of related debt	1,313,604	1,428,837	(115,234)	-8.06%
Restricted	67,045	66,168	877	1.33%
Unrestricted	(66,267)	(110,650)	44,383	-40.11%
Total Net Position	1,314,382	1,384,355	(69,973)	-5.05%
Total Liabilities and Net Position	$ 2,351,509	$ 2,374,890	$ (23,381)	-0.98%

Changes in Financial Condition of the District

The following denotes explanations for some of the major changes between fiscal years, as compared in the Net Position, table 1-2 above:

Current assets increased by $108,287 from last year primarily as a result of increases to cash

Deferred Inflows of Resources increased by $53,180 due primarily to the implementation of GASB Statement No. 45 which require government entities to recognize deferred liabilities related to Other Postemployment Benefits ("OPEB").

Capital Assets

Net of accumulated depreciation, the District reported capital assets of $1,698,783 in the fiscal year 2017/18 compared to $1,829,204 in fiscal year 2016/17. A comparison of the change is provided below (table 1-3) by major category. The net change of $130,421is due to depreciation and amortization expense. Also, see Note 7 to the financial statements for further information regarding capital assets.

Table 1-3

Majestic Pines Community Services District
Capital Assets
For Fiscal Years Ended June 30, 2018 and 2017

	2017/2018	2016/2017	Increase/(Decrease) Change	%
Land	$ 98,528	$ 98,528	$ -	0.00%
Water Rights	15,000	15,000	-	0.00%
Buildings, Improvements, & Equipment	3,600,467	3,600,467	-	0.00%
Total Capital Assets	3,713,995	3,713,995	-	0.00%
Less Accumulated Depreciation & Amortization	2,015,212	1,884,791	130,421	6.92%
Net Capital Assets	$ 1,698,783	$ 1,829,204	$ (130,421)	-7.13%

District Actual vs. Budget

Table (1-4) compares revenues and expenses of the District compared to budgeted and/or projected figures used by the District to monitor performance during the year. Overall change to net assets was budgeted at a positive $53,712 vs. an actual at a negative $69,973, a decrease of $123,685.

Table 1-4

Majestic Pines Community Services District
Actual vs Budget
2017/2018

	Actual	Budget	Variance to Budget	% Variance
REVENUES				
Water Sales	$ 251,823	$ 225,600	$ 26,223	11.62%
Ready to Serve Sales	262,419	258,000	4,419	1.71%
Standby Charges	0	2,000	(2,000)	-100.00%
New Meters	25,000.00	12,000	13,000	108.33%
Service Accessories Sales	-	75	(75)	-100.00%
Miscellaneous	-	50	(50)	-100.00%
Late Charges	1,453	6,500	(5,047)	-77.64%
Other Non-Operating	7,451	6,660	791	11.88%
Total Revenues	548,147	510,885	37,262	7.29%
EXPENSES				
Administrative	62,606	53,700	8,906	16.59%
Operations	65,221	45,182	20,039	44.35%
Electricity	28,338	26,500	1,838	6.94%
Payroll & Benefits	298,708	259,019	39,689	15.32%
Depreciation & Amortization	130,421	49,572	80,849	163.09%
Other Non-Operating	32,827	23,200	9,627	41.50%
Total Expenses	618,120	457,173	160,947	35.20%
Income/(Loss)	$ (69,973)	$ 53,712	$ (123,685)	-230.28%
Capital Projects Revenue (Expense)	-	(53,712)	53,712	-100.00%
Income/(Loss)	$ (69,973)	$ -	$ (69,973)	

Major Budget Variances

The following denotes explanations for some of the major variances between actual and budget for the table above (table 1-4).

> Water Sales increased 11.62% ($225,600 budgeted vs. $251,823 actual. Ready to Serve Sales experienced a 1.71% increase due to rate increases. Revenues were about 7.29% higher overall than was budgeted, while expenses were about 35.20% more than was budgeted. Payroll and Benefits were 15.32% over budget, Depreciation and Amortization expenses were 163.09% over budget, and Operations expense was 44.35% above budget.

Contacting the District's Financial Management

This financial report is designed to provide Majestic Pines Community Services District's elected officials, citizens, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have any questions regarding this report or need additional financial information, please contact the District's Manager.

Majestic Pines Community Services District
Statement of Net Position
June 30, 2018
(with prior year data for comparison purposes only)

ASSETS

	Year ended June 30 2018	2017
Current assets:		
Cash in operating fund	$ 73,002	$ 32,908
Cash in general fund	229,779	169,404
Savings reserve	110,950	110,907
Accounts receivable	110,879	106,335
Prepaid insurance	2,804	3,364
Prepaid legal/other	895	895
Inventory	8,803	5,011
Total Current assets	537,112	428,824
Non-current assets:		
Restricted assets		
Investments in standby fund certificate of deposit	17,998	17,721
Customer deposits	12,800	12,200
Investment in capital improvement reserve	36,247	36,247
Total restricted assets	67,045	66,168
Capital assets:		
Land	98,528	98,528
Water rights, net of accumulated amortization of $9,792	5,208	5,833
Buildings, improvements & equipment	3,600,467	3,600,467
Less: accumulated depreciation	(2,005,420)	(1,875,624)
Net capital assets	1,698,783	1,829,204
Total non-current assets	1,765,828	1,895,372
TOTAL ASSETS	2,302,939	2,324,196
Deferred Outflows of Resources:		
Pension related amounts	34,723	50,694
Other postemployment benefits related amounts	13,847	-
Total deferred outlows of resources	48,570	50,694
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 2,351,509	$ 2,374,890

LIABILITIES

LIABILITIES		
Current Liabilities:		
Accounts payable	$ -	$ -
Payroll liabilities	20,328	19,930
Customer deposits	12,800	11,559
Current portion of long-term debt	16,000	14,000
Accrued interest payable	4,800	4,987
Total current liabilities	53,928	50,476
Non-current liabilities:		
Capital improvement loan, net of current portion - USDA	364,379	381,379
Net pension liability	162,304	169,973
Net other postemloyment benefit liability	395,087	380,457
Total non-current liabilities	921,770	931,809
Deferred Inflows of Resources:		
Pension related amounts	15,647	8,250
Net other postemloyment benefit related amounts	45,783	-
Total deferred inflows of resources	61,430	8,250
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	1,037,128	990,535

NET POSITION

Investment in capital assets net of related debt	1,313,604	1,428,837
Restricted	67,045	66,168
Unrestricted	(66,267)	(110,650)
TOTAL NET POSITION	$ 1,314,382	$ 1,384,355

See accompanying notes and independent auditor's report

Majestic Pines Community Services District
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2018
(with prior year data for comparison purposes only)

	Year ended June 30	
	2018	2017
OPERATING REVENUES:		
Water sales	$ 251,823	$ 207,755
Ready to serve sales	262,419	266,630
Standby charges	-	12,578
New meters	25,000	-
Service Accessories Sales	-	-
Miscellaneous income	-	171
Late charges	1,453	6,865
Total operating revenues	540,696	493,999
OPERATING EXPENSES:		
Administrative		
Insurance	11,025	7,790
Dues & fees	17,446	11,790
Legal & professional	18,722	27,848
Supplies	3,339	6,353
Telephone & radio	5,125	6,617
Postage	5,244	582
Other	1,706	2,433
Automobile	5,640	5,008
Chemicals	6,374	9,513
Contingencies	-	199
Contractors	38,134	4,851
Depreciation & amortization	130,421	155,499
Electricity	28,338	25,416
Equipment rent & repair	644	453
Payroll	155,294	174,976
Payroll taxes & benefits	61,346	76,274
Pension expenses	15,699	8,559
Other Postemployment Benefit Expenses	60,413	57,000
Tools & parts	5,973	6,831
Water testing	8,455	8,925
Workers comp insurance	5,956	3,067
Total operating expenses	585,293	599,984
Operating income/(loss)	(44,598)	(105,985)
NON-OPERATING REVENUE (EXPENSES):		
Interest income	142	537
Other non-operational revenue	7,309	7,515
Gain on sale of assets	-	700
Interest expense-USDA	(29,091)	(20,294)
Bank Charge	(3,252)	(3,182)
Other non-operational expense	(484)	(23)
Total non-operating revenues (expenses)	(25,376)	(14,747)
Change in net position	(69,973)	(120,732)
Net position, beginning of year	1,384,355	1,828,544
Prior Period Adjustment	-	(323,457)
Net position, end of year	$ 1,314,382	$ 1,384,355

See accompanying notes and independent auditor's report

Majestic Pines Community Services District
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2018
(with prior year data for comparison purposes only)

	Year ended June 30	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	$ 536,793	$ 476,043
Standby charges collected	-	12,578
Miscellaneous Income	-	171
Payments to employees	(156,101)	(165,425)
Payments to suppliers	(215,250)	(186,138)
Payments for utilities	(28,338)	(25,416)
Net cash provided by (used for) operating activities	137,104	111,813
CASH FLOWS FROM NONCAPTIAL FINANCING ACTIVITIES:		
Other Non Operating Income	7,309	7,515
Net cash provided by (used for) noncapital financing activities	7,309	7,515
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal paid on capital debt	(15,000)	(14,000)
Interest paid on capital debt	(32,531)	(23,629)
Gain on sale of assets	-	700
Purchases of capital assets	-	(229,804)
Net cash provided by (used for) capital and related financing activities	(47,531)	(266,733)
CASH FLOWS FROM INVESTING ACTIVITES:		
Interest on investments	142	537
Proceeds from investments	277	95,383
Purchase of investments	-	(45)
Net cash provided by (used for) investing activities	419	95,875
Net Increase (Decrease) in Cash and Cash Equivalents	97,302	(51,530)
Cash and Cash Equivalents, Beginning of year	313,219	364,749
Cash and Cash Equivalents, End of year	$ 410,521	$ 313,219
RECONCILIATION OF CASH TO STATEMENT OF NET POSITION:		
Cash in Operating Fund	$ 73,002	$ 32,908
Cash in Savings reserve	110,950	110,907
Cash in General Fund	229,779	169,404
CASH BALANCE AT END OF YEAR	$ 413,731	$ 313,219

See accompanying notes and independent auditor's report

Majestic Pines Community Services District
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2018
(continued)

	Year ended June 30 2018	Year ended June 30 2017
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	$ (44,598)	$ (105,985)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation & amortization	130,421	155,499
Changes in operation assets and liabilities:		
Decrease (Increase) in:		
Accounts receivable	(4,544)	(5,206)
Customer deposits	(600)	(412)
Prepaid insurance	560	-
Deferred outflows of resources	(2,124)	(16,474)
Inventory	(3,792)	(618)
(Decrease) Increase in :		
Accounts payable	-	(1,227)
Customer Deposits	1,241	412
Payroll liabilities	398	3,792
Net pension liability	(7,669)	23,383
Net Other Postemloyment Benefit Liability	14,630	57,000
Deferred inflows of resources	53,180	1,650
Total Adjustments	181,702	217,799
Net cash provided by (used for) operating activities	$ 137,104	$ 111,813

See accompanying notes and independent auditor's report

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Majestic Pines Community Services District is located in and around the "Whispering Pines" and "Kentwood in the Pines" areas of Julian in the County of San Diego. The District was formed by the dissolution of the "County Services Area No. 4 – Majestic Pines Water District," (CSA No. 4) by resolution of the board of Supervisors of the County of San Diego dated October 19, 1993. The reorganization was made pursuant to government Code Section 56761 of the Local Government Reorganization Act of 1985 and created a new community services district independent from the County of San Diego. The objectives of the reorganization were to strengthen local control of the district's water resources, take advantage of the tax-free borrowing for capital improvements, decrease operating expenses and maximize the benefits to all customers.

The District became the successor to the CSA No. 4 for the purposes of succeeding to all rights, duties, and obligations of that Services Area and consists of all territory formerly of the CSA No. 4, including all property, cash, receivables, and obligations of the former entity.

In 1995, the District formed the Majestic Pines Capital Improvement Corporation (MPCIC), a separate corporation required by the USDA for the Capital Improvement Loan and construction projects completed in 1996/97. The MPCIC is governed by the District's Board of Directors. The Corporation's activities are limited to providing for the planning, development, acquisition, construction, improvement, extension, repair, renovation, and/or financing of public buildings, works, projects, facilities, furnishings, and equipment for the benefit or use of the District. All assets, liabilities, revenue and expenses of the Corporation are included in the District's financial statements.

The District operates as a community water district and provides water services and water storage to about 700 customers in a 1,049-acre area. An elected board of directors makes all policy decisions.

B. Accounting Policies

The District accounts for its financial transactions in accordance with the policies and procedures of the State Controller's Office and state regulations governing special districts. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. The financial statements have been prepared in accordance with the American Institute of Certified Public Accountants Audit and Accounting Guide, Audits of State and Local Governments and the State Controller's *Minimum Audit Requirements for California Special Districts.*

For the year ended June 30, 2018, the District implemented GASB No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* It requires the governments providing retiree medical benefits through the CalPERS healthcare program (PEMHCA) to recognize their long-term obligation as a liability.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. Governmental Fund Accounting

The accounts of the District are reported as a proprietary operation known as an Enterprise fund.

D. Basis of Accounting

The District accounts for its operation in an enterprise fund 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.

An enterprise fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for water sales. Operating expenses for the District include services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

E Budgets and Budgetary Accounting

By state law, the District's governing board must approve a tentative budget no later than July 1 and adopt a final budget no later than September 15. The governing Board approved a budget for 2017-2018 in September 2017.

A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. Budgets can be revised by the District's governing board during the year to give consideration to unanticipated revenue and expenditures. There were no revisions in the original budget adopted and it is this budget that is presented in the financial statements and supplementary information.

Formal budgetary integration was employed as a management control device for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

F. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

G. Property, Plant, and Equipment

Property, plant, and equipment have been recorded at historical cost. Assets that are no longer in use have been "retired" and their values removed from property, plant, and equipment. Depreciation is calculated on a straight-line basis with varying useful lives.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

H. Inventory

Inventories, which consist primarily of meters, are valued at the lower of cost or market. Cost is determined on the first-in, first-out method.

I. Restricted Net Assets

Restricted net assets indicate the assets not appropriable for expenditure or amounts legally segregated for a specific future use. These amounts are not available for appropriation and expenditure at the balance sheet date. Restricted net assets indicate tentative plans for financial resource utilization in a future period. Restrictions have been established as follows:

Standby Fund	$	17,998
Customer Deposit Trust		12,800
Capital Improvement Reserve		36,247
Total Restricted Assets	$	67,045

The Standby Fund consists of fees charged annually for undeveloped properties that have no water meter, but are fronting existing water mains that, at some future time, can supply services to the property. The charge is for properties that are buildable only and is for the purpose of future expansion of facilities and equipment. It is the District's policy to first apply restricted resources when expenses are incurred for purposes for which both restricted and unrestricted resources are available.

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report separate sections for "*deferred outflows of resource"* which represent consumption of net position that is applicable 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 statement of net position will sometimes report a separate section for "*deferred inflows of resources"* which represent acquisition of net position that is applicable to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

NOTE 2 - CASH AND INVESTMENTS

The District voluntarily maintains most of its accounts in one bank. The balances are insured by the Federal Deposit Insurance Corporation up to $250,000. At June 30, 2018, none of the bank accounts exceeded the insured amount.

NOTE 3 - ACCOUNTS RECEIVABLE

Customers are billed bi-monthly for water sales. The District files a Fixed Charge Special Assessment Report by August 10 every year to the County of San Diego for any delinquent accounts. The County collects the delinquent accounts for the District through property tax bills. Since the taxes will ultimately be collected through various means, no allowance for collectible accounts is deemed necessary. Accounts Receivable as of June 30, 2018 is $110,879.

NOTE 4 - LONG TERM DEBT PAYABLE – REVENUE BONDS

Certificate of Participation - Capital Improvement Loan - USDA

In 1996, the District obtained a loan from the United States Department of Agriculture Rural Economic and Community Development Department to construct a new water storage facility, pipelines, etc. Construction was completed by June 1997 and draws were taken on the loan from July 1996 through February 1997. The full amount of the loan drawn was $606,576. The annual percentage rate on the loan is 5% and the maturity date is March 3, 2036. In January 1998, the District returned $18,197 in unused principal to the USDA. Payment of principal and interest for the next five years is estimated as follows:

Year End June 30,	Principal	Interest Due	Balance
2019	$ 16,000	$ 19,019	$ 348,379
2020	17,000	18,219	331,379
2021	17,000	17,369	314,379
2022	18,000	16,519	296,379
2023	19,000	15,619	277,379
Thereafter	277,379	97,627	-
Total	$ 364,379	$ 184,372	$ -

Long-term liability activity for the year ended June 30, 2018 was as follow:

	Beginning Balance	**Additions**	**Reductions**	**Ending Balance**
Capital improvement loan, net of current portion-USDA	$ 381,379	$ -	$ (17,000)	$ 364,379
Net Pension Liability	169,973	15,699	(23,368)	162,304
Net Other Postemloyment-Benefit Liability	380,457	74,260	(59,630)	395,087
Total non-current liabilities	$ 931,809	$ 89,959	$ (99,998)	$ 921,770

NOTE 5 - DEFINED BENEFIT PENSION PLAN

Plan Description

The District participates in the California Public Employee's Retirement System (CalPERS). CalPERS, an agent cost-sharing multiple-employer public employee defined benefit plan, acts as a common investment and administrative agent for participating public entities within the State of California. CalPERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions and state statute and District policies establish all other requirements. Eligible employees hired after January 1, 2013 that are considered new members as defined by the Public Employees' Pension Reform Act (PEPRA) are participating in the PEPRA Miscellaneous Plan. CalPERS issues publicly available reports that include a full description of the pension plans that can be found the CalPERS website. Copies of CalPERS' annual financial report may be obtained from their Executive Office, 400 Q Street, Sacramento, CA 95811.

Funding Policy

Active plan members are required to contribute 7% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year 2018-19 is 7.634% of annual payroll for employees hired before January 1, 2013 who are eligible to retire at age 60 and 6.842% for employees hired on or after January 1, 2013 who are eligible to retire at age 62. The contribution requirements of the plan members are established by state statute. 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 July 1 following notice of a change in the rate. Funding contributions for the plan is 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. For the fiscal year ending June 30, 2018, the District's contributions to CalPERS were $13,271.

Pension Liabilities, Pension Expenses and Deferred Outflow/Inflow of Resources Related to Pensions

As of June 30, 2018, the District reported net pension liabilities for its proportionate shares of the net pension liability as follows:

	Proportionate share of net pension liability June 30, 2018
Miscellaneous	$ 162,304

The District's net pension liability for the plan is measured as the proportionate share of the net pension liability. The net pension liability of the plan at June 30, 2017 is measured as of June 30, 2018, and the total pension liability for the plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures.

NOTE 5 - DEFINED BENEFIT PENSION PLAN (cont.)

Actuarial Assumptions

For the measurement period ended June 30, 2018, the total pension liability was determined by rolling forward the June 30, 2017 total pension liability determined in the June 30, 2017 actuarial accounting valuation. The June 30, 2018 total pension liability was 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	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived 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

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011. Further details of the Experience Study can be found on the CalPERS' website.

The District's proportion of the net pension liability was based on a projection of their 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 for all plans with an actuarial valuation date of June 30, 2017 and 2018 was as follows:

	Miscellaneous
Proportion - June 30, 2017	0.00431%
Proportion - June 30, 2018	0.00431%
Change	0.00000%

For the year ended June 30, 2018, the District recognized pension expense of $15,699. At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 5 – DEFINED BENEFIT PENSION PLAN (cont)

	Deferred Outflows of Resources	Deferred Inflows of
Pension Contributions subsequent to measurement date	$ -	$ -
Changes of Assumptions	18,503	(4,535)
Differences between Expected and Actual Experience	6,227	(2,119)
Change in Employer's Proportion	9,189	
Differences between actual contribution and proportionate share of contribution	-	(8,993)
Net differences between Projected and Actual Earnings on Investments	802	-
Total	$ 34,723	$ (15,647)

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of change to net pension liability to be recognized in future periods in a systematic and rational manner. There were no changes to benefit terms that applied to all members of the Public Agency Pool.

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

Measurement Periods Ended June 30:	Deferred Outflows/(Inflows) of Resources
2019	$ 15,947
2020	9,232
2021	(4,841)
2022	(1,460)
2023	-
Thereafter	-
	$ 18,880

Changes of Assumptions

In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

NOTE 5 - DEFINED BENEFIT PENSION PLAN (cont.)

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent and reflects the long-term expected rate of return for the plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of the discount rate for public agency plans (including PERF C), the amortization and smoothing periods adopted by the Board in 2013 were used. For the plan, the crossover test was performed for a miscellaneous agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF C. The crossover test results can be found on CalPERS' at https://www.calpers.ca.gov/page/employers/actuarial-services/gasb.

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 (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The expected real rates of return by asset class can be found in CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017.

Sensitivity of Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability, calculated using the discount rate as well as the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower or 1% higher than the current rate:

	Discount Rate -1% 6.15%	Current Discount Rate 7.15%	Discount Rate +1% 8.15%
Risk Pool's Net Pension Liability	$ 260,705	$ 162,304	$ 81,075

NOTE 6 – POSTEMPLOYMENT HEALTH CARE BENEFITS

The District implemented GASB Statement No. 75 as of July 1, 2001. As a result, GASB Statement No. 45 was effective for fiscal year 2016/2017 and GASB Statement No. 75 was effective for fiscal year 2017/2018.

The following disclosures are required under GASB Statement No. 45.

Plan Description and Funding Policy
In fiscal year 2017 the District started to provide retiree medical coverage to current and future eligible retirees and their spouse under the Public Employees' Medical and Hospital Care Act (PEMHCA), a single-employer defined benefit Other Post-Employment Benefit (OPEB) plan. The plan provides for the District to contribute the full cost of health insurance premiums for eligible employees that retire directly from the District through either a service or disability retirement under CalPERS. Eligible employees' surviving spouses are also eligible for benefits. Benefits continue through the employees or spouse's lifetime. The Plan is administered by the District's Board of Directors. The District Board of Directors has the authority to establish and amend the benefit terms. PEMCHA offers health insurance through CalPERS. A copy of CalPERS annual financial report may be obtained from their Executive Office, 400 Q Street, Sacramento, CA 95811.

As required by GASB 45, an actuary will determine the District's Annual Required Contribution (ARC) at least once every three fiscal years. The ARC is calculated in accordance with certain parameters, and includes the current employer Normal Cost plus an amortization of the unfunded liability or less an amortization of the excess assets. The contribution requirements of plan members and the District are established and may be amended by the District and its board of directors. The district contracts with PERS for medical insurance.

GASB 45 does not require pre-funding of OPEB benefits. Therefore, the District's funding policy is to pay healthcare premiums for retirees as they become due. The District has not set aside funds in an irrevocable trust at this time. The Board reserves the authority to review and amend this funding policy from time to time, in order to ensure that the funding policy continues to best suit the circumstances of the District.

Annual OPEB Cost and Net OPEB Obligation
The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District's Board of Directors has established a policy of funding the ARC on a pay as you go basis. The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2017, the amount actually contributed to the plan, and changes in the District's net OPEB obligation (NOO) to the OPEB plan:

NOTE 6 – POSTEMPLOYMENT HEALTH CARE BENEFITS (cont.)

	June 30, 2017 Valuation
Fiscal Year	2016/17
Beginning of Year NOO	$ -
Annual OPEB Cost	57,000
Contributions	-
End of Year NOO	$ 57,000

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover Normal Cost each year and amortize any Unfunded Actuarial Accrued Liabilities (UAAL) over 30 years. The Annual OPEB Cost will equal the ARC, adjusted for expected interest on the Net OPEB Obligation (NOO) and reduced by an amortization of the NOO. Since this is the first year the District implemented GASB 45, the Net OPEB Obligation is zero at the beginning of the year. The following table shows the District's annual OPEB cost, the amount actually contributed to the plan and changes in the District's NOO for the year end June 30, 2017:

	2017
Annual required contribution	$ 57,000
Interest on Net OPEB Obligation	-
Amortization of Net OPEB Obligation	-
Annual OPEB Cost	57,000
Contribution made	-
Increase in Net OPEB Obligation	57,000
Net OPEB Obligation - Beginning of year	-
Net OPEB Obligation - End of year	$ 57,000

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the NOO for the fiscal year 2017 is as follows (Fiscal year 2017 was the 1st year implementation, therefore only one year is shown):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	$ 57,000	$ 33%	$ 57,000

NOTE 6 – POSTEMPLOYMENT HEALTH CARE BENEFITS (cont.)

Funded Status and Funding Progress

As of June 30, 2017, based on the most recent actuarial valuation performed, the Actuarial Accrued Liability for benefit was $384,000 and the actuarial value of assets was $0, resulting in an Unfunded Actuarial Accrued Liability (UAAL) of $384,000. The covered payroll (annual payroll of employees covered by the plan) was $174,000, and the ratio of the UAAL to the covered payroll was 220.69%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are 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, presented as required supplementary information (RSI) following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial 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 the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The plan's actuarial valuation was performed as of June 30, 2017. The actuarial cost method used for this valuation was the Entry Age Normal cost method. The actuarial assumptions included a 3.75% investment rate of return, a 3.00% aggregate payroll increase and an annual healthcare cost trend rate of 7.50% initially, reduced by decrements to an ultimate rate of 5.40% after ten years. These assumptions reflect an implicit 2.75% general inflation assumption. The District's UAAL is being amortized as a level percent of pay on a closed basis over 30 years. The remaining amortization period at June 30, 2017 was 29 years.

NOTE 6 – POSTEMPLOYMENT HEALTH CARE BENEFITS (cont.)

The following disclosures for 2018 are required under GASB Statement No. 75.

Plan Description and Funding Policy
In fiscal year 2017 the District started to provide retiree medical coverage to current and future eligible retirees and their spouse under the Public Employees' Medical and Hospital Care Act (PEMHCA), a single-employer defined benefit Other Post-Employment Benefit (OPEB) plan. The plan provides for the District to contribute the full cost of health insurance premiums for eligible employees that retire directly from the District through either a service or disability retirement under CalPERS. Eligible employees' surviving spouses are also eligible for benefits. Benefits continue through the employees or spouse's lifetime. The Plan is administered by the District's Board of Directors. The District Board of Directors has the authority to establish and amend the benefit terms. PEMCHA offers health insurance through CalPERS. A copy of CalPERS annual financial report may be obtained from their Executive Office, 400 Q Street, Sacramento, CA 95811. The District has not commenced prefunding and its funding policy is to pay OPEB benefit payments as they become due. The District has not set aside funds in an irrevocable trust at this time. The Board reserves the authority to review and amend this funding policy from time to time, in order to ensure that the funding policy continues to best suit the circumstances of the District.

Benefits Provided
The Plan provides healthcare benefits for retirees and surviving spouses. Benefits are provided through a third-party insurer, and the full cost of the benefits are covered by the Plan.

Employees Covered by Benefit Terms
At June 30, 2018, the following current and former employees were covered by the benefit terms:

	Number of Covered Participants
Active employees	3
Inactive employees	-
Inactive employees entitled to, but not yet receiving benefits	-
	3

Contributions
The Board of Directors grants the authority to establish and amend the contribution requirements of the District and employees. Employees are not required to contribute to the Plan. During the fiscal year ended June 30, 2018, the District's cash contributions were $13,847 and benefit payments were $0 resulting in total payments of $13,847.

Net OPEB Liability
The District's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017.

NOTE 6 – POSTEMPLOYMENT HEALTH CARE BENEFITS (cont.)

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Assumptions:	
Actuarial Valuation Date	June 30, 2017
Contribution Policy	No pre-funding
Discount Rate	3.58% at June 30, 2017 (Bond Buyer 20-year index) 2.85% at June 30, 2016 (Bond Buyer 20-year index)
Expected Long-Term Rate of Return on Investments	n/a
General Inflation	2.75% per annum
Mortality, Retirement, Disability, Termination	CalPERS 1997-2015 Experience Study
Mortality Improvement	Mortality projected fully generational with Scale MP-17
Salary Increases	Aggregate 3% Merit-CalPERS 1997-2015 Experience Study
Medical Trend	Non-Medicare - 7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years
Participation at Retirement	100%

Discount Rate

The discount rate used to measure the total OPEB liability was 3.75%. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

NOTE 6 – POSTEMPLOYMENT HEALTH CARE BENEFITS (cont.)

		Total OPEB Liability Increase/(Decrease)
Balance at June 30, 2017	$	380,457
Changes for the year:		
Service cost		53,142
Interest		12,358
Benefit changes		-
Actual vs. expected experience		-
Assumption changes		(50,870)
Contributions-employer		-
Contributions-employee		-
Benefit payments		-
Administrative Expenses		-
Net Changes		14,630
Balance at June 30, 2018	$	395,087
(Measurement date June 30, 2017)		

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates
The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	Discount Rate		
	1% Decrease (2.58%)	**Current Rate (3.58%)**	**1% Increase (4.58%)**
Total OPEB Liability	$ 467,051	$ 395,087	$ 337,561

	Healthcare Trend Rate		
	1% Decrease	**Current Trend**	**1% Increase**
Total OPEB Liability	$ 321,573	$ 395,087	$ 489,885

OPEB Plan Fiduciary Net Position
As the Districted has not set aside funds in an irrevocable trust or commenced prefunding, there is no plan fiduciary net position at this time.

Majestic Pines Community Services District
Schedule of Revenues and Expenses - Budget vs. Actual
For the Fiscal Year Ended June 30, 2018

	Actual	Original & Final Budget	Variance Favorable (Unfavorable)
OPERATING REVENUES:			
Water sales	$ 251,823	$ 225,600	$ 26,223
Ready to serve sales	262,419	258,000	4,419
Standby charges	-	2,000	(2,000)
New meters	25,000	12,000	13,000
Service Accessories Sales	-	75	(75)
Miscellaneous income	-	50	(50)
Late charges	1,453	6,500	(5,047)
Total operating revenues	540,696	504,225	36,471
OPERATING EXPENSES:			
Administrative			
Advertising	-	200	200
Insurance	11,025	11,000	(25)
Dues & fees	17,446	9,900	(7,546)
Legal & Professional	18,722	16,550	(2,172)
Supplies	3,339	4,800	1,461
Telephone & radio	5,125	6,600	1,475
Postage	5,244	2,000	(3,244)
Other	1,706	2,650	944
Automobile	5,640	4,100	(1,540)
Chemicals	6,374	7,000	626
Contingencies	-	1,300	1,300
Contractors	38,134	15,000	(23,134)
Depreciation & amortization	130,421	49,572	(80,849)
Electricity	28,338	26,500	(1,838)
Equipment rent & repair	644	1,850	1,206
Payroll	155,294	164,896	9,602
Payroll taxes & benefits	61,346	81,923	20,577
Pension expenses	15,699	12,200	(3,499)
Other Postemployment Benefit Expenses	60,413	-	(60,413)
Tools & parts	5,973	7,432	1,459
Water testing	8,455	8,500	45
Workers comp insurance	5,956	-	(5,956)
Total operating expenses	585,293	433,973	(151,321)
Operating income/(loss)	(44,598)	70,252	(114,851)
NON-OPERATING REVENUES (EXPENSES):			
Interest income	142	600	(458)
Other non-operational revenue	7,309	5,860	1,449
Gain on sale of assets	-	200	(200)
Interest expense-USDA	(29,091)	(20,000)	(9,091)
Bank Charge	(3,252)	(3,200)	(52)
Other non-operational expense	(484)	-	(484)
Total non-operating revenues (expenses)	(25,376)	(16,540)	(8,836)
CAPITAL PROJECTS REVENUE (EXPENSES):			
Capital improvement Bond		(10,000)	10,000
Capital reserves-Kentwood TP		(43,712)	43,712
Total capital projects revenue (expenses)	-	(53,712)	(53,712)
Change in net position	$ (69,973)	$ -	$ 125,244

See accompanying notes and independent auditor's report

NOTE 6 – POSTEMPLOYMENT HEALTH CARE BENEFITS (cont.)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended June 30, 2018, the District recognized OPEB expense of $60,413. At June 30, 2018, the District reported deferred outflows of resources totaling $13,847 for contributions subsequent to the measurement date. This amount will be recognized as a reduction of the OPEB liability in the following fiscal year.

	June 30. 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes in assumptions	-	45,783
Employer contributions made subsequent to the measurement date	13,847	-
Total	$ 13,847	$ 45,783

Payable to the OPEB Plan
At June 30, 2018, the District had no contributions outstanding to the Plan required for the year ended June 30, 2018.

Age-adjusted Premiums Not Used
As a general rule, Actuarial Standard of Practice 6 (ASOP 6) indicates retiree costs should be based on actual claim costs or age-adjusted premiums. However, the Plan's net OPEB liability was not computed using age-adjusted premiums because the District's actuary did not consider the use of age-adjusted premiums to be appropriate under the circumstances. This is due to the District participating in the CalPERS health insurance plan, PEMHCA. PEMHCA uses blended premiums for active and retired participants and is expected to continue this practice into the future. Contributions based on age-adjusted premiums would be larger than contributions based on actual premiums charged by PEMHCA. The actuary believes this would overstate contributions to the CERBT that would not be able to be recovered by the District. Many other actuaries believe it is appropriate to use age-adjusted premiums when computing net OPEB liabilities under GASB Statement No. 75. The District's net OPEB liability would have been significantly larger had it been computed using age-adjusted premiums.

Implied Subsidy
An implied subsidy exists when the premium for a group of active employees and pre-Medicare retirees is determined by aggregating the experience of the group. GASB defers to actuarial standards of practice to determine how actuarial accrued liability should be calculated. Until recently, those standards have said the implied subsidy need not be taken into account for most employers participating in large community-rated plans such as PEMHCA. A revised actuarial standard of practice (ASOP 6) now requires implied subsidy be calculated for all valuations dated after March 31, 2015. We included the implied subsidy in the current June 30, 2017 valuation.

NOTE 7 - PROPERTY, PLANT, AND EQUIPMENT

	Beginning Balance	Additions	Retirement	Ending Balance
Capital assets, non-depreciable:				
Land	$ 98,528	$ -	$ -	$ 98,528
Total capital assets, non-depreciable	98,528	-	-	98,528
Capital assets, depreciable/amortizable				
Water Rights	15,000	-	-	15,000
Building,improvements & equipment	3,600,467	-	-	3,600,467
Total capital assets, depreciable/amortizable	3,615,467	-	-	3,615,467
Less accumulated depreciation for:				
Water Rights	(9,167)	(625)	-	(9,792)
Building,improvements & equipment	(1,875,624)	(129,796)	-	(2,005,420)
Total accumulated depreciation	(1,884,791)	(130,421)	-	(2,015,212)
Net capital assets	$ 1,829,204	$ (130,421)	$ -	$ 1,698,783

NOTE 8 - COMPARATIVE FINANCIAL STATEMENTS

The amounts shown for June 30, 2017 are included to provide a basis for comparison. Accordingly, the amounts are not intended to present all information necessary for a fair presentation in accordance with generally accepted accounting principles. Reclassifications have been made to certain line items, but do not change totals and do not have a material effect on the financial statements.

NOTE 9 – SUBSEQUENT EVENTS

Subsequent events are events or transactions occurring subsequent to the balance sheet date but prior to the issuance of financial statements that have a material effect on the financial statements that would require adjustment to or disclosure in the financial statements. Management has evaluated subsequent events through August 28, 2019 the date on which the financial statements were available to be issued. In November 2018, the board approved the Kentwood tank refurbishing contract for a total estimated cost of $164,450. The project is scheduled to be done in the spring of 2019.

NOTE 10 – PRIOR PERIOD RESTATEMENT

Change in Accounting Principle

As discussed in Note 1, the District implemented GASB Statement No. 75 (GASB 75) effective July 1, 2017, replaces the requirements of GASB Statement No.45 with respect to the reporting of postemployment benefits other than pensions (OPEB). GASB 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources and expenses which were determined by an actuarial valuation as of measurement date of June 30, 2017. GASB 75 requires that accounting changes adopted to conform to the provisions of the Statement be applied retroactively by restating financial statements. The following table presents the effect of the prior period adjustment on the June 30, 2017 financial statement balances due to implementation of this Statement:

Net position at July 1, 2017, as originally stated	$	1,707,812
Decrease in net position due to change in accounting principle		(323,457)
Net position at July 1, 2017, restated	$	1,384,355

REQUIRED SUPPLEMENTARY INFORMATION

A Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2018 (Last 10 Years*)

California Public Employees' Retirement System
Schedule of Majestic Pines Community Services District's
Proportionate Share of The Net Pension Liability

	2018	2017	2016	2015
Proportion of the net pension liability	0.00431%	0.00431%	0.00422%	0.00398%
Proportion share of the net pension liability	162,303 $	169,973 $	146,590 $	109,319
Covered-employee payroll	142,633 $	160,332 $	163,655 $	149,364
Proportionate share of the net pension liability as a percentage of Covered-employee payroll	113.79%	106.01%	89.57%	73.19%
Plan fiduciary net position as a percentage of the total pension liability	79.20%	77.47%	78.15%	82.74%

Notes to Schedule:

*Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

A Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2018 (Last 10 Years*)
California Public Employees' Retirement System
Schedule of Majestic Pines Community Services District's Contributions

	Miscellaneous 2018	Miscellaneous 2017	Miscellaneous 2016	Miscellaneous 2015
Contractually required contribution (Actuarially determined)	10,768	$ 11,438	$ 18,405	$ 16,798
Contribution in relation to the actuarially determined contributions	10,768	$ 11,438	$ 18,405	$ 16,798
Contribution deficiency(excess)	-	$ -	$ -	$ -
Covered-employee payroll	142,633	$ 160,332	$ 163,655	$ 149,364
Contributions as a percentage of covered-employee payroll	7.55%	7.13%	11.25%	11.25%
Notes to Schedule:				
Valuation date:	6/30/2017	6/30/2016	6/30/2015	6/30/2014

Notes to Schedule:

*Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

Majestic Pines Community Services District
Other Post-employment Benefit (OPEB) Plan
Schedule of Funding Progress

Fiscal Year Ending	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2017	6/30/2017	$ -	$ 384,000	$ 384,000	-	$ 174,000	220.69%
6/30/2018	6/30/2017	$ -	$ 395,087	$ 395,087	-	$ 171,742	230.05%

Notes to Schedule:

*Fiscal year 2017 was the 1st year of implementation, therefore only four years are shown.

Majestic Pines Community Services District
Organization
June 30, 2018

The Board of Directors for the fiscal year ended June 30, 2018, is composed of the following members:

NAME	OFFICE	TERM EXPIRES
Kurt Boettcher	President	December 2020
Joseph Connolly	Vice President	December 2018
John Jones	Treasurer	December 2018
Robert Markart	Secretary	December 2020
Kevin Dubler	Director	December 2020

Administration:

David Shenk	District Manager & Water Treatment Operator
Jorge Rosas	Water Treatment Operator
Cheryl DeWitt	Bookkeeper

Majestic Pines Community Services District
Schedule of Revenues and Expenses - Budget vs. Actual
For the Fiscal Year Ended June 30, 2018

	Actual	Original & Final Budget	Variance Favorable (Unfavorable)
OPERATING REVENUES:			
Water sales	$ 251,823	$ 225,600	$ 26,223
Ready to serve sales	262,419	258,000	4,419
Standby charges	-	2,000	(2,000)
New meters	25,000	12,000	13,000
Service Accessories Sales	-	75	(75)
Miscellaneous income	-	50	(50)
Late charges	1,453	6,500	(5,047)
Total operating revenues	540,696	504,225	36,471
OPERATING EXPENSES:			
Administrative			
Advertising	-	200	200
Insurance	11,025	11,000	(25)
Dues & fees	17,446	9,900	(7,546)
Legal & Professional	18,722	16,550	(2,172)
Supplies	3,339	4,800	1,461
Telephone & radio	5,125	6,600	1,475
Postage	5,244	2,000	(3,244)
Other	1,706	2,650	944
Automobile	5,640	4,100	(1,540)
Chemicals	6,374	7,000	626
Contingencies	-	1,300	1,300
Contractors	38,134	15,000	(23,134)
Depreciation & amortization	130,421	49,572	(80,849)
Electricity	28,338	26,500	(1,838)
Equipment rent & repair	644	1,850	1,206
Payroll	155,294	164,896	9,602
Payroll taxes & benefits	61,346	81,923	20,577
Pension expenses	15,699	12,200	(3,499)
Other Postemployment Benefit Expenses	60,413	-	(60,413)
Tools & parts	5,973	7,432	1,459
Water testing	8,455	8,500	45
Workers comp insurance	5,956	-	(5,956)
Total operating expenses	585,293	433,973	(151,321)
Operating income/(loss)	(44,598)	70,252	(114,851)
NON-OPERATING REVENUES (EXPENSES):			
Interest income	142	600	(458)
Other non-operational revenue	7,309	5,860	1,449
Gain on sale of assets	-	200	(200)
Interest expense-USDA	(29,091)	(20,000)	(9,091)
Bank Charge	(3,252)	(3,200)	(52)
Other non-operational expense	(484)	-	(484)
Total non-operating revenues (expenses)	(25,376)	(16,540)	(8,836)
CAPITAL PROJECTS REVENUE (EXPENSES):			
Capital improvement Bond		(10,000)	10,000
Capital reserves-Kentwood TP		(43,712)	43,712
Total capital projects revenue (expenses)	-	(53,712)	(53,712)
Change in net position	$ (69,973)	$ -	$ 125,244

See accompanying notes and independent auditor's report