

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

**AUDIT REPORT
June 30, 2017**



presented by

*Douglas R. Ashbrook, CPA
San Diego, CA*

**MAJESTIC PINES
COMMUNITY SERVICES DISTRICT
TABLE OF CONTENTS
June 30, 2017**

	<u>Page No.</u>
INTRODUCTORY SECTION	
Table of Contents	i
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 8
<u>Financial Statements</u>	
Balance Sheet	9
Statement of Revenues, Expenses, and Changes in Net Assets	10
Statement of Cash Flows	11-12
Notes to the Financial Statements	13-23
Required Supplementary Information	24-26
Schedule of Revenues and Expenses - Budget vs. Actual	27
<u>OTHER INFORMATION</u>	
Organization	28

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, 2017, 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.

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, 2017 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, 2016 financial statements, and I expressed an unmodified audit opinion on those audited financial statements in my report dated January 20, 2017. In my opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of a Matter

Due to a change in the District providing post-employment retirement benefits as discussed in Note 6 to the basic financial statements, the District has implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB) during fiscal year 2017.

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.

**MAJESTIC PINES COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

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, 2017. 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 a proprietary enterprise fund. 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.

Recent Events – Water Conservation

We anticipate reduced revenue for the next fiscal year due to State mandated water conservation that affects all water districts in California. Because over 50% of our fees are fixed, and because our customers don't have lawns in this rural environment, we only anticipate a small revenue decrease. Predicted heavy rains this next winter could also have a negative effect on revenue.

FINANCIAL HIGHLIGHTS

Revenues

Combined revenues for the fiscal year totaled \$502,751 compared to a prior year of \$473,400. This is a slight increase of 6.20%. Table 1-1 presents a comparison of revenues by category for the two fiscal years 2016/17 and 2015/16. In November 2016, the district announced water rates will increase 20% in January, 2017.

Expenses

Combined expenses for the fiscal year totaled \$623,483 compared to a prior year of \$533,704. This is an increase of 16.82%. Table 1-1 presents a comparison of expenses by category for the two fiscal years 2016/17 and 2015/16.

Water Sales

Water Sales totaled \$207,755 an increase of 16.16% from the prior year. Ready-to-Serve sales totaled \$266,630 an increase of 3.57%. Economic conditions continue to affect water sales. Foreclosures, and the slow transition to new owners, require homes to remain vacant longer and this continues to affect the bottom line.

**MAJESTIC PINES COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

Table 1-1

**Majestic Pines Community Services District
Combined Revenues and Expenses by Category
For Fiscal Years Ended June 30, 2017 and 2016**

	<u>2016/2017</u>		<u>2015/2016</u>		<u>Increase/(Decrease)</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% Change</u>
<u>Revenues</u>						
Water Sales	\$ 207,755	41.32%	\$ 178,859	37.78%	\$ 28,896	16.16%
Ready to Serve Sales	266,630	53.03%	257,438	54.38%	9,192	3.57%
Standby Charges	12,578	2.50%	12,703	2.68%	(125)	-0.99%
New Meters	-	0.00%	10,100	2.13%	(10,100)	-100.00%
Service Accessories Sale	-	0.00%	73	0.00%	(73)	-100.00%
Miscellaneous	171	0.03%	49	0.01%	122	246.17%
Late Charges	6,865	1.37%	6,698	1.41%	167	2.49%
Other Non-Operating	8,752	1.74%	7,479	1.58%	1,273	17.02%
Total Revenues exclude Grants	<u>502,751</u>	<u>100.00%</u>	<u>473,400</u>	<u>99.98%</u>	<u>29,351</u>	<u>6.20%</u>
Total Revenues	<u>502,751</u>	<u>100.00%</u>	<u>473,400</u>	<u>99.98%</u>	<u>29,351</u>	<u>6.20%</u>
<u>Expenses</u>						
Administrative	63,413	10.17%	44,486	8.34%	18,927	42.55%
Operations	35,780	5.74%	48,477	9.08%	(12,697)	-26.19%
Depreciation & Amort.	155,499	24.94%	128,845	24.14%	26,654	20.69%
Electricity	25,416	4.08%	24,365	4.57%	1,051	4.31%
Payroll & Benefits	319,876	51.30%	266,537	49.94%	53,340	20.01%
Other Non-Operating	23,499	3.77%	20,994	3.93%	2,505	11.93%
Total Expenses	<u>623,483</u>	<u>100.00%</u>	<u>533,704</u>	<u>100.00%</u>	<u>89,779</u>	<u>16.82%</u>
Income/(Loss)	(120,732)		(60,305)		(60,427)	100.20%
Net Position-Beginning of Year	1,828,544		<u>1,998,168</u>		<u>(169,624)</u>	<u>-8.49%</u>
Prior Period Adjustment			<u>(109,319)</u>			
Net Position-End of Year	<u>\$ 1,707,812</u>		<u>\$ 1,828,544</u>		<u>\$ (120,732)</u>	<u>-6.60%</u>

Capital Expenditures

The District spent \$207,814 on Kentwood treatment plant improvement during the fiscal year 2016/17. It included water service line installations and upgrades. In the fiscal year 2015/16, capital expenditures were \$551,434, consisted entirely of new water tank project costs.

**MAJESTIC PINES COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

Depreciation Expense

Depreciation expense was increased by 20.69% from the past fiscal year due to new improvement have been done on Kentwood treatment plant.

Operating Expenses

Operating expenses are higher this year. Costs for maintaining the system are higher and are expected to remain that way. Over all, the cost of running the system is rising and we must continue to look for ways to cut costs anywhere possible in anticipation of these increases. In addition, payroll and benefits increased due to pension accounting adjustments required by GASB 68 (Note 5) and other postemployment benefit (OPEB) cost adjustment required by GASB 45 (Note 6).

Net Position

The District's net position decreased by \$120,732 ending the fiscal year June 30, 2017 with a balance of \$1,707,812. This is an decrease of 6.60% 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, 2016 and 2017.

Table 1-2

**Majestic Pines Community Services District
Net Position
June 30, 2017 and 2016**

	<u>2016/2017</u>	<u>2015/2016</u>	<u>Increase/(Decrease)</u>	
			<u>Amount</u>	<u>% Change</u>
Assets				
Current Assets	\$ 428,824	\$ 474,530	\$ (45,705)	-9.63%
Restricted Assets	66,168	161,094	(94,926)	-58.93%
Capital Assets	1,829,204	1,754,899	74,305	4.23%
Deferred Outflows of Resources	50,694	34,220	16,474	0.00%
Total Assets	\$ 2,374,890	\$ 2,424,743	\$ (49,852)	-2.06%
Liabilities				
Current Liabilities	\$ 50,476	\$ 47,630	\$ 2,847	5.98%
Non-Current Liabilities	608,352	541,969	66,383	12.25%
Deferred Inflows of Resources	8,250	6,600	1,650	0.00%
Total Liabilities	667,078	596,199	70,880	11.89%
Net Position				
Nonspendable	1,201,864	1,198,930	2,935	0.24%
Restricted	66,168	161,094	(94,926)	-58.93%
Unassigned	439,780	468,520	(28,741)	-6.13%
Total Net Position	1,707,812	1,828,544	(120,732)	-6.60%
Total Liabilities and Net Position	\$ 2,374,890	\$ 2,424,743	\$ (49,852)	-2.06%

**MAJESTIC PINES COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

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 decreased by \$45,705 and Restricted Assets decreased by \$94,926 from last year primarily as a result of contribution to current year Kentwood treatment plant upgrade. Further information regarding restrictions and commitments associated with net position can be identified in Note 1 to the financial statements.

Non-Current Liabilities

Non-current liabilities increased by \$66,383 due to implementation of GASB Statement No. 45 recognize liability for the District's net OPEB obligation. Also see Note 6 regarding net OPEB obligation calculation and information relate to OPEB.

Capital Assets

Net of accumulated depreciation, the District reported capital assets of \$1,829,204 in the fiscal year 2016/17 compared to \$1,754,899 in fiscal year 2015/16. A comparison of the change is provided below (table 1-3) by major category. The net change of \$222,304 in Buildings, Improvements and Equipment primarily consists of new improvement on Kentwood treatment plant during the year. 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, 2017 and 2016**

	<u>2016/2017</u>	<u>2015/2016</u>	<u>Increase/(Decrease)</u>	
			<u>Change</u>	<u>%</u>
Land	\$ 98,528	\$ 98,528	-	0.00%
Water Rights	15,000	15,000	-	0.00%
Buildings, Improvements, & Equipment	<u>3,600,467</u>	<u>3,378,163</u>	<u>222,304</u>	<u>6.58%</u>
Total Capital Assets	<u>3,713,995</u>	<u>3,491,691</u>	<u>222,304</u>	<u>6.37%</u>
Less Accumulated Depreciation & Amortization	<u>1,884,791</u>	<u>1,736,792</u>	<u>147,999</u>	<u>8.52%</u>
Net Capital Assets	<u>\$ 1,829,204</u>	<u>\$ 1,754,899</u>	<u>\$ 74,305</u>	<u>4.23%</u>

**MAJESTIC PINES COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

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 \$6,701 vs. an actual at a negative \$120,732, a decrease of \$127,433.

Table 1-4

Majestic Pines Community Services District				
Actual vs Budget				
2016/2017				
	<u>Actual</u>	<u>Budget</u>	<u>Variance to Budget</u>	<u>% Variance</u>
REVENUES				
Water Sales	\$ 207,755	\$ 175,000	\$ 32,755	18.72%
Ready to Serve Sales	266,630	248,000	18,630	7.51%
Standby Charges	12,578	14,500	(1,922)	-13.26%
New Meters	-	9,500	(9,500)	-100.00%
Service Accessories Sales	-	75	(75)	-100.00%
Miscellaneous	171	50	121	242.64%
Late Charges	6,865	6,300	565	8.97%
Other Non-Operating	8,752	5,960	2,792	46.85%
Total Revenues	<u>502,751</u>	<u>459,385</u>	<u>43,366</u>	<u>9.44%</u>
EXPENSES				
Administrative	63,413	54,150	9,263	17.11%
Operations	35,780	42,082	(6,302)	-14.97%
Electricity	25,416	25,705	(289)	-1.12%
Payroll & Benefits	319,876	257,275	62,601	24.33%
Depreciation & Amortization	155,499	49,572	105,927	213.68%
Other Non-Operating	23,499	23,900	(401)	-1.68%
Total Expenses	<u>623,483</u>	<u>452,684</u>	<u>170,799</u>	<u>37.73%</u>
Income/(Loss)	<u>\$ (120,732)</u>	<u>\$ 6,701</u>	<u>\$ (127,433)</u>	<u>-1901.70%</u>

**MAJESTIC PINES COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

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 18.72% (\$175,000 budgeted vs. \$207,755 actual. Ready to Serve Sales experienced a 7.51% increase due to rate increases. Revenues were about 9.44% higher overall than was budgeted, while expenses were about 37.73% more than was budgeted. Payroll and Benefits were 24.33% over budget, Depreciation and Amortization expenses were 213.68% over budget, and Operations being 14.97% below 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, 2017
(with prior year data for comparison purposes only)

ASSETS

	Year ended June 30	
	2017	2016
<u>Current assets:</u>		
Cash in operating fund	\$ 32,908	\$ 40,456
Cash in general fund	169,404	213,538
Savings reserve	110,907	110,755
Accounts receivable	106,335	101,129
Prepaid insurance	3,364	3,364
Prepaid legal/other	895	895
Inventory	5,011	4,393
Total Current assets	428,824	474,530
<u>Non-current assets:</u>		
<u>Restricted assets</u>		
Investments in standby fund certificate of deposit	17,721	113,104
Customer deposits	12,200	11,788
Investment in capital improvement reserve	36,247	36,202
Total restricted assets	66,168	161,094
<u>Capital assets:</u>		
Land	98,528	98,528
Water rights, net of accumulated amortization of \$9,167	5,833	6,458
Buildings, improvements & equipment	3,600,467	3,378,163
Less: accumulated depreciation	(1,875,624)	(1,728,250)
Net capital assets	1,829,204	1,754,899
Total non-current assets	1,895,372	1,915,993
TOTAL ASSETS	2,324,196	2,390,523
<u>Deferred Outflows of Resources:</u>		
Deferred pensions	50,694	34,220
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 2,374,890	\$ 2,424,743

LIABILITIES

LIABILITIES

Current Liabilities:

Accounts payable	\$ -	\$ 1,227
Payroll liabilities	19,930	16,138
Customer deposits	11,559	11,147
Current portion of long-term debt	14,000	14,000
Accrued interest payable	4,987	5,117
Total current liabilities	50,476	47,630

Non-current liabilities:

Capital improvement loan, net of current portion - USDA	381,379	395,379
Net pension liability	169,973	146,590
Net other postemployment benefit liability	57,000	-
Total non-current liabilities	608,352	541,969

Deferred Inflows of Resources:

Deferred pensions	8,250	6,600
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	667,078	596,199

NET POSITION

Investment in capital assets net of related debt	1,201,864	1,198,930
Restricted	66,168	161,094
Unrestricted	439,780	468,520
TOTAL NET POSITION	\$ 1,707,812	\$ 1,828,544

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, 2017
(with prior year data for comparison purposes only)

	Year ended June 30	
	2017	2016
<u>OPERATING REVENUES:</u>		
Water sales	\$ 207,755	\$ 178,859
Ready to serve sales	266,630	257,438
Standby charges	12,578	12,703
New meters	-	10,100
Service Accessories Sales	-	73
Miscellaneous income	171	49
Late charges	6,865	6,698
Total operating revenues	493,999	465,921
<u>OPERATING EXPENSES:</u>		
Administrative		
Insurance	7,790	9,653
Dues & fees	11,790	9,719
Legal & professional	27,848	8,915
Supplies	6,353	3,555
Telephone & radio	6,617	6,603
Postage	582	2,666
Other	2,433	3,376
Automobile	5,008	2,787
Chemicals	9,513	4,212
Contingencies	199	1,159
Contractors	4,851	19,796
Depreciation & amortization	155,499	128,845
Electricity	25,416	24,365
Equipment rent & repair	453	1,789
Payroll	174,976	179,352
Payroll taxes & benefits	76,274	72,737
Pension expenses	8,559	9,651
Other Postemployment Benefit Expenses	57,000	-
Tools & parts	6,831	11,774
Water testing	8,925	6,960
Workers comp insurance	3,067	4,797
Total operating expenses	599,984	512,710
Operating income/(loss)	(105,985)	(46,790)
<u>NON-OPERATING REVENUE (EXPENSES):</u>		
Interest income	537	1,615
Other non-operational revenue	7,515	5,864
Gain on sale of assets	700	-
Interest expense-USDA	(20,294)	(20,994)
Bank Charge	(3,182)	-
Other non-operational expense	(23)	-
Total non-operating revenues (expenses)	(14,747)	(13,515)
Change in net position	(120,732)	(60,305)
Net position, beginning of year	1,828,544	1,998,168
Prior Period Adjustment	-	(109,319)
Net position, end of year	\$ 1,707,812	\$ 1,828,544

See accompanying notes and independent auditor's report

Majestic Pines Community Services District
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2017
(with prior year data for comparison purposes only)

	Year ended June 30	
	2017	2016
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Receipts from customers	\$ 476,043	\$ 439,567
Standby charges collected	12,578	12,703
Miscellaneous Income	171	49
Payments to employees	(165,425)	(200,072)
Payments to suppliers	(186,138)	(141,686)
Payments for utilities	(25,416)	(24,365)
	111,813	86,196
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>		
Other Non Operating Income	7,515	5,864
	7,515	5,864
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Principal paid on capital debt	(14,000)	(14,000)
Interest paid on capital debt	(23,629)	(21,169)
Gain on sale of assets	700	-
Purchases of capital assets	(229,804)	(551,434)
	(266,733)	(586,603)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Interest on investments	537	1,615
Proceeds from investments	95,383	278
Purchase of investments	(45)	(13,296)
	95,875	(11,403)
Net Increase (Decrease) in Cash and Cash Equivalents	(51,530)	(505,946)
Cash and Cash Equivalents, Beginning of year	364,749	870,694
Cash and Cash Equivalents, End of year	\$ 313,219	\$ 364,749
<u>RECONCILIATION OF CASH TO STATEMENT OF NET POSITION:</u>		
Cash in Operating Fund	\$ 32,908	\$ 40,456
Cash in Savings reserve	110,907	110,755
Cash in General Fund	169,404	213,538
CASH BALANCE AT END OF YEAR	\$ 313,219	\$ 364,749

See accompanying notes and independent auditor's report

Majestic Pines Community Services District
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2017
(continued)

	Year ended June 30	
	2017	2016
RECONCILIATION OF OPERATING INCOME (LOSS) TO		
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>		
Operating income (loss)	\$ (105,985)	\$ (46,790)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation & amortization	155,499	128,845
<u>Changes in operation assets and liabilities:</u>		
<u>Decrease (Increase) in:</u>		
Accounts receivable	(5,206)	(13,081)
Customer deposits	(412)	(429)
Prepaid insurance	-	146
Deferred outflows of resources	(16,474)	(34,220)
Inventory	(618)	(434)
<u>(Decrease) Increase in :</u>		
Accounts payable	(1,227)	233
Customer Deposits	412	(91)
Payroll liabilities	3,792	8,146
Net pension liability	23,383	37,271
Net Other Postemployment Benefit Liability	57,000	-
Deferred inflows of resources	1,650	6,600
Total Adjustments	217,798	132,986
Net cash provided by (used for) operating activities	\$ 111,813	\$ 86,196

See accompanying notes and independent auditor's report

Majestic Pines Community Services District
Notes to Financial Statements
June 30, 2017

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 656 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, 2017, the District implemented GASB No. 45 *Accounting and Financial Reporting by Employers 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.

C. *Governmental Fund Accounting*

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

Majestic Pines Community Services District
Notes to Financial Statements
June 30, 2017

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

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 2016-2017 in September 2016.

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.

Majestic Pines Community Services District
Notes to Financial Statements
June 30, 2017

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	\$ 17,721
Customer Deposit Trust	12,200
Capital Improvement Reserve	<u>36,247</u>
Total Restricted Net Assets	<u>\$ 66,168</u>

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.

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, 2017, none of the bank accounts exceeded the insured amount.

Majestic Pines Community Services District
Notes to Financial Statements
June 30, 2017

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 the annual standby charge for undeveloped properties and to report any delinquent accounts. The County collects the charges and the delinquent accounts for the District through property tax bills. Since the taxes will ultimately be collected through various means, no allowance for uncollectible accounts is deemed necessary. Accounts Receivable as of June 30, 2017 is \$106,335.

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
2018	\$ 15,000	\$ 19,769	\$ 380,379
2019	16,000	19,019	364,379
2020	17,000	18,219	347,379
2021	17,000	17,369	330,379
2022	18,000	16,519	312,379
Thereafter	312,379	113,246	-
Total	\$ 395,379	\$ 204,141	\$ -

Long-term liability activity for the year ended June 30, 2017 was as follow:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital improvement loan, net of current portion-USDA	\$ 395,379	\$ -	\$ (14,000)	\$ 381,379
Net Pension Liability	146,590	23,383	-	169,973
Net Other Postemployment- Benefit Liability	-	57,000	-	57,000
Total non-current liabilities:	\$ 541,969	\$ 23,383	\$ (14,000)	\$ 551,352

Majestic Pines Community Services District
Notes to Financial Statements
June 30, 2017

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 2016-17 is 7.159% of annual payroll for employees hired before January 1, 2013 who are eligible to retire at age 60 and 6.555% 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, 2017, the District's contributions to CalPERS were \$19,106.

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

As of June 30, 2017, 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, 2017
Miscellaneous	<u>\$169,973</u>

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, 2017, 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, 2016 rolled forward to June 30, 2017 using standard update procedures.

Majestic Pines Community Services District
Notes to Financial Statements
June 30, 2017

NOTE 5 - DEFINED BENEFIT PENSION PLAN (cont.)

Actuarial Assumptions

For the measurement period ended June 30, 2017, the total pension liability was determined by rolling forward the June 30, 2016 total pension liability determined in the June 30, 2016 actuarial accounting valuation. The June 30, 2017 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	2.75%
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 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75 thereafter

All other actuarial assumptions used in the June 30, 2016 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, 2016 and 2017 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2016	0.00422%
Proportion - June 30, 2017	0.00431%
Change - Increase	0.00009%

For the year ended June 30, 2017, the District recognized pension expense of \$8,559. At June 30, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Majestic Pines Community Services District
Notes to Financial Statements
June 30, 2017

NOTE 5 – DEFINED BENEFIT PENSION PLAN (cont)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions subsequent to measurement date	\$ -	\$ -
Changes of Assumptions	31,479	(2,400)
Differences between Expected and Actual Experience	254	(3,635)
Change in Employer's Proportion	11,842	
Differences between actual contribution and proportionate share of contribution	-	(2,215)
Net differences between Projected and Actual Earnings on Investments	7,119	-
Total	\$ 50,694	\$ (8,250)

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
2018	\$7,634
2019	18,377
2020	11,033
2021	(4,227)
2022	-
Thereafter	-
	\$32,817

Changes of Assumptions

In fiscal year 2016-17, the financial reporting discount rate was lowered from 7.65 percent to 7.15 percent.

Majestic Pines Community Services District
Notes to Financial Statements
June 30, 2017

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 Public Employees' Retirement Fund C (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:

	<u>Miscellaneous</u>
1% Decrease	6.15%
Net Pension Liability	\$ 273,736
Current Discount Rate	7.15%
Net Pension Liability	\$ 169,973
1% Increase	8.15%
Net Pension Liability	\$ 84,036

Majestic Pines Community Services District
Notes to Financial Statements
June 30, 2017

NOTE 6 – POSTEMPLOYMENT HEALTH CARE BENEFITS & GASB 45

Plan Description and Funding Policy

In FY 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), an agency multiple-employer defined benefit Other Post-Employment Benefit (OPEB) plan. The plan provides for the district to contribute full cost of health insurance premium for eligible employees who retire directly from the District and their spouse. Same benefit continues to their surviving spouse through the offering of health insurance contracts with CalPERS. Copies of CalPERS’ annual financial report may be obtained from their Executive Office, 400 Q Street, Sacramento, CA 95811.

As required by GASB 45 implementation, 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 ARC. 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:

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

Majestic Pines Community Services District
Notes to Financial Statements
June 30, 2017

NOTE 6 – POSTEMPLOYMENT HEALTH CARE BENEFITS (cont.)

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):

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/17	\$ <u>57,000</u>	<u>33%</u>	\$ <u>57,000</u>

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 on 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 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.

Majestic Pines Community Services District
Notes to Financial Statements
June 30, 2017

NOTE 7 - PROPERTY, PLANT, AND EQUIPMENT

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>		<u>Additions</u>		<u>Retirement</u>		<u>Ending Balance</u>
Capital assets, non-depreciable:							
Land	\$ 98,528	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 98,528
Total capital assets, non-depreciable	<u>98,528</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,528</u>
Capital assets, depreciable/amortizable							
Water Rights	15,000	-	-	-	-	-	15,000
Building, improvements & equipment	3,378,163	229,804	(7,500)	-	-	-	3,600,467
Total capital assets, depreciable/amortizable	<u>3,393,163</u>	<u>229,804</u>	<u>(7,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,615,467</u>
Less accumulated depreciation for:							
Water Rights	(8,542)	(625)	-	-	-	-	(9,167)
Building, improvements & equipment	(1,728,250)	(154,874)	7,500	-	-	-	(1,875,624)
Total accumulated depreciation	<u>(1,736,792)</u>	<u>(155,499)</u>	<u>7,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,884,791)</u>
Net capital assets	<u>\$ 1,754,899</u>	<u>\$ 74,305</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,829,204</u>

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 July 11, 2018, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**A Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2017 (Last 10 Years*)
California Public Employees' Retirement System
Schedule of Majestic Pines Community Services District's
Proportionate Share of The Net Pension Liability**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.00431%	0.00422%	0.00398%
Proportion share of the net pension liability	\$ 169,973	\$ 146,590	\$ 109,319
Covered-employee payroll	\$ 160,332	\$ 163,655	\$ 149,364
Proportionate share of the net pension liability as a percentage of Covered-employee payroll	106.01%	89.57%	73.19%
Plan fiduciary net position as a percentage of the total pension liability	77.47%	78.15%	82.74%

Notes to Schedule:

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

A Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2017 (Last 10 Years*)
California Public Employees' Retirement System
Schedule of Majestic Pines Community Services District's Contributions

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

Notes to Schedule:

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

Majestic Pines Community Services District
 Other Postemployment Benefit (OPEB) Plan
 Schedule of Funding Progress

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

Notes to Schedule:

Fiscal year 2017 was the 1st year of implementation, therefore only one year is shown

Majestic Pines Community Services District
Schedule of Revenues and Expenses - Budget vs. Actual
For the Fiscal Year Ended June 30, 2017

	Actual	Original & Final Budget	Variance Favorable (Unfavorable)
<u>OPERATING REVENUES:</u>			
Water sales	\$ 207,755	\$ 175,000	\$ 32,755
Ready to serve sales	266,630	248,000	18,630
Standby charges	12,578	14,500	(1,922)
New meters	-	9,500	(9,500)
Service Accessories Sales	-	75	(75)
Miscellaneous income	171	50	121
Late charges	6,865	6,300	565
Total operating revenues	<u>493,999</u>	<u>453,425</u>	<u>40,574</u>
<u>OPERATING EXPENSES:</u>			
Administrative			
Advertising	-	200	200
Insurance	7,790	14,400	6,610
Dues & fees	11,790	9,900	(1,890)
Legal & Professional	27,848	13,750	(14,098)
Supplies	6,353	3,600	(2,753)
Telephone & radio	6,617	6,600	(17)
Postage	582	2,800	2,218
Other	2,433	2,900	467
Automobile	5,008	4,300	(708)
Chemicals	9,513	4,400	(5,113)
Contingencies	199	1,300	1,101
Contractors	4,851	15,000	10,149
Depreciation & amortization	155,499	49,572	(105,927)
Electricity	25,416	25,705	289
Equipment rent & repair	453	1,850	1,397
Payroll	174,976	179,000	4,024
Payroll taxes & benefits	76,274	78,275	2,001
Pension expenses	8,559	-	(8,559)
Other Postemployment Benefit Expenses	57,000	-	(57,000)
Tools & parts	6,831	7,432	601
Water testing	8,925	7,800	(1,125)
Workers comp insurance	3,067	-	(3,067)
Total operating expenses	<u>599,984</u>	<u>428,784</u>	<u>(171,201)</u>
Operating income/(loss)	<u>(105,985)</u>	<u>24,641</u>	<u>(130,627)</u>
<u>NON-OPERATING REVENUES (EXPENSES):</u>			
Interest income	537	800	(263)
Other non-operational revenue	7,515	4,960	2,555
Gain on sale of assets	700	200	500
Interest expense-USDA	(20,294)	(21,400)	1,106
Bank Charge	(3,182)	(2,500)	(682)
Other non-operational expense	(23)	-	(23)
Total non-operating revenues (expenses)	<u>(14,747)</u>	<u>(17,940)</u>	<u>3,193</u>
Change in net position	<u>\$ (120,732)</u>	<u>\$ 6,701</u>	<u>\$ (127,434)</u>

See accompanying notes and independent auditor's report

**Majestic Pines Community Services District
Organization
June 30, 2017**

The Board of Directors for the fiscal year ended June 30, 2017, is composed of the following members:

<u>NAME</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Kurt Boettcher	President	December 2020
Joseph Connolly	Vice President	December 2018
Dennis Taylor	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
Karen Hayse	Office Manager / Bookkeeper
Breanna Lancaster	Bookkeeper