CAMBRIA
COMMUNITY SERVICES DISTRICT

Independent Auditor's Report
and
Financial Statements

For the Year Ended
June 30, 2015

CAMBRIA COMMUNITY SERVICES DISTRICT
INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

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CROSBY COMPANY, CERTIFIED PUBLIC ACCOUNTANT
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Independent Auditor's Report

To the Management of
Cambria Community Services District
Cambria, California 93428

Report on the Financial Statements

I have audited the accompanying financial statements of the Cambria Community Services District (CCSD), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the CCSD'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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. 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 opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Emphasis of Matter
Implementation of New Accounting Standards

As disclosed in Note 1 to the financial statements, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No.68,* during the fiscal year 2015.

Other Matters
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through xii, the Budgetary Comparison Information on page 31,and the Schedule of Funding Progress, Schedule of the District's Proportionate Share of the Net Pension Liability, and Schedule of Contributions, listed on pages 33 through 35, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Robert Crosby CPA

CROSBY COMPANY
Certified Public Accountant
San Luis Obispo, California

December 23, 2015

CAMBRIA COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2015

Our discussion and analysis of the Cambria Community Services District's (CCSD) financial performance provides an overview of the CCSD's financial activities for the fiscal year ended June 30, 2015. The Management's Discussion & Analysis is to be read in conjunction with the CCSD's financial statements, which follow this section.

The Cambria Community Services District is a multi-purpose special district formed on December 9, 1976. Formation took place under the Community Services District Law, Section 61000, et. seq. of the California Government Code. At the time of formation it absorbed and combined the responsibilities of five existing special districts. These independently operated districts were as follows:

- The Cambria Community Services District - Moonstone Beach Drive area
- The Cambria County Water District
- The Cambria Fire Protection District
- The Cambria Garbage Disposal District
- San Luis Obispo County Service Area No. 6 - Street Lighting Service

The CCSD is a political subdivision of the State of California and operates under a Board of Directors-Manager form of government. A five-member Board of Directors governs it with each member serving a four-year term. The CCSD has a population of 6,400 residents within its boundaries. Tourism in the summer months and on holiday weekends creates seasonal increases in the population. The CCSD provides the following services:

- Water
- Wastewater
- Fire Protection
- Facilities and Resources
- Parks and Recreation
- Resource Conservation
- Administration

Fund Financial Statements

The accounting system of the CCSD is organized and operated on a fund basis. A fund is considered a separate self-balancing entity with assets, liabilities, fund equity, revenues, and expenditures/expenses.

The basis of accounting depends on the fund. Basis of accounting refers to "when" revenues and expenses are recognized in the accounts and reported in the financial statements.

Governmental funds use the modified-accrual basis of accounting. Revenues are recognized when measurable and available as net current assets. Measurable means the amounts can be estimated or determined. Available means the amounts were collected during the reporting period or soon enough to finance the expenditures accrued for the reporting period.

Enterprise or business-like funds use the accrual basis of accounting. Revenues, expenses, assets and liabilities are recognized when the event happens.

Financial Statements

There are two government-wide financial statements that include all of the CCSD's funds. These are:

- STATEMENT OF NET POSITION
- STATEMENT OF ACTIVITIES

The Statement of Net Position was previously the Statement of Net Assets and includes all of the CCSD's assets and liabilities, with the difference between the two reported as net assets. (The governmental Accounting Standards Board (GASB) sets the standards for government entities' financial statement reporting. As stated in NOTE 6: STATEMENT OF NET POSITION, the CCSD adopted GASB 63 and GASB 65 as of June 30, 2013. One effect of adopting the new standards was to change the Statement of Net Assets to the Statement of Net Position.

The Net Position may be displayed in the following categories:

- Invested in Capital Assets, Net of Related Debt
- Restricted
- Unrestricted

The Statement of Net Position provides the basis for computing rate of return, evaluating the capital structure of the CCSD and assessing the liquidity and financial flexibility of the CCSD.

The Statement of Activities includes all of the CCSD's individual functions presented using the accrual basis of accounting. One objective of the Statement of Activities is to report the relative financial burden of each of the CCSD's functions.

The remainder of the CCSD's financial statements is grouped into 2 categories:

- Governmental Activities
- Business-Type Activities

<u>Governmental Activities</u>

Governmental activities include the following fund:

- General Fund

The General Fund includes the following Departments:

- Fire Department
- Administration
- Facilities and Resources
- Parks and Recreation

The CCSD's financial statements for governmental activities include six components:

- BALANCE SHEET
- RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
- STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
- RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
- NOTES TO THE FINANCIAL STATEMENTS
- STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - Budget and Actual-Governmental Funds (Shown as Other Required Supplemental Information)

The Balance Sheet-Governmental Funds first presents the CCSD's assets (resources it controls that enable it to provide services), liabilities (financial obligations) and fund balance (in essence, what would be left over if the assets were used to satisfy the liabilities). The assets and liabilities are current in nature. Notably absent are capital assets. This is due to the statement being presented using the modified accrual basis of accounting. Fund balance is the difference between assets and liabilities. Fund balance is reported in up to five classifications to clarify Fund Balance reported as well as to provide additional information, as follows:

- Nonspendable-amounts that are not in a spendable form, such as Prepaid Expenses or Deposits.
- Restricted-amounts constrained to specific purposes by their providers through constitutional provisions or legislation.
- Committed-amounts constrained to specific purposes by the government itself using its highest level of decision-making authority.
- Assigned-amounts a government intends to use for a specific purpose.
- Unassigned-amounts that are available for any purpose. These amounts are only found in the general fund.

The Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position is the final component of the Balance Sheet. The reconciling items explain the differences in the accounting bases (the presence of capital assets and long-term liabilities in the government-wide financial statements, but their absence in the governmental funds).

The Statement of Revenues, Expenditures, and Changes in Fund Balances is the governmental funds' income statement, tracking the flow of resources in as Revenues and out as Expenditures. Revenues and Expenditures are not the only resources that flow in and out. Other financing sources (uses) identify transfers in and out of the governmental funds. Besides the fact that transfers are neither revenues nor expenditures, they are shown separately to assist the statement reader in assessing the balance between ongoing revenues and expenditures related to the basic operations of the CCSD. For this same reason, special items such as prior period adjustments (corrections of material errors related to a prior period or periods) are shown separately.

The Reconciliation of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities describes the differences between change in fund balance and change in governmental activities net position in the government-wide statement of activities. Items are individually described.

The Notes to the Financial Statements are disclosures presented to assist the reader in understanding the information found in the financial statements.

The Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual-Governmental Funds compares the budgeted amounts to the actual amounts.

Business-Type Activities

Business-type activities include the following funds:

- Water Fund
- Wastewater (Sewer) Fund

The Water Fund includes the following Departments:

- Water
- Resource Conservation

The CCSD's financial statements for business-type activities include four components:

- STATEMENT OF NET POSITION-Proprietary Funds
- STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION-Proprietary Funds
- STATEMENT OF CASH FLOWS-Proprietary Funds
- NOTES TO THE FINANCIAL STATEMENTS

The Statement of Net Position includes all of the proprietary funds' assets and liabilities, with the difference between the two reported as net assets. Net position may be displayed in the following categories:

- Invested in Capital Assets, Net of Related Debt
- Restricted
- Unrestricted

The Statement of Net Position provides the basis for computing rate of return, evaluating the capital structure of the Water and Wastewater Funds and assessing their liquidity and financial flexibility.

The Statement of Revenues, Expenditures, and Changes in Net Position presents information which shows how the Water and Wastewater Fund's net assets changed during the year. All of the current year's revenues and expenditures are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows. The Statement of Revenues, Expenditures, and Changes in Fund Balance measures the success of the CCSD's operations over the past year and determines whether the CCSD has recovered its costs through user fees, property taxes and other changes.

The Statement of Cash Flows provides information regarding the Water and Wastewater Fund's cash receipts and cash disbursements during the fiscal year. The statement reports cash activity in three categories:

- Operating Activities
- Capital and Related Financing Activities
- Investing and Non-Operating Activities

Notes to the Financial Statements

The Notes to the Financial Statements are disclosures presented to assist the reader in understanding the information found in the financial statements.

NOTE 1 is required in all financial statements, even in cases where only the minimum notes are given. It provides a brief description of the CCSD; which financial statements are provided; how activity is recorded/reported; the accounting basis on which the financial statements are presented; certain financial policies of the CCSD, such as its capitalization policy and some definition of terms.

NOTE 2 provides information related to the CCSD's cash and investments such as how much cash is on-hand, how much is in the CCSD's bank accounts and how much is held in the Local Agency Investment Fund (LAIF). LAIF is a voluntary program offered to California's local governments to allow them to participate in a major portfolio. It is administered by the California State Treasurer. It has the same objectives in its investment policy as does the CCSD (Safety, Liquidity and Yield, in that order). LAIF does not invest in securities or derivatives and no agency has ever lost funds invested in LAIF. It is not subject to seizure by the State of California. On June 30, 2015, the fair market value of LAIF's investments was slightly in excess of the cost plus accrued interest of those assets. 50% of LAIF's funds were invested in United States Treasury Bills/Notes.

NOTE 3 provides additional information on the CCSD's Property, Plant and Equipment (Fixed Assets). This is mainly in the form of showing the amounts added and deleted for a given fiscal year by type of asset.

NOTE 4 provides additional information on the CCSD's accrued liabilities.

NOTE 5 provides additional information on the CCSD's Long-Term Debt such as original balances, interest rates and annual amounts due through the end of the terms of the debt.

NOTE 6 has been expanded to include all of the pension disclosures required by the Governmental Accounting Standards Board (GASB) Statements 43, 45 and 68.

While the note is titled Defined Benefit Pension Plan, it also includes the Post-Employment Benefits (OPEB) offered to the District's retirees in the form of healthcare benefits. The amount shown is based on an actuarial prepared "in-house" as of June 30, 2015. The District is required to do an actuarial calculation every third year and the next one will be done for the fiscal year ending June 30, 2018. The actuarial is based on the number of employees, retirees and their spouses as well as their ages (and presumed life spans) and presumed retirement dates as of June 30, 2014. The estimated costs are projected forward through the year 2057. (It should be noted that while there were 24 eligible employees as of June 30, 2011, there were 22 eligible employees as of June 30, 2014 although there were unfilled vacancies). The CCSD currently operates on a "pay as you go" basis for OPEB. Current retiree costs are fully paid, but nothing is specifically set-aside for future benefits.

NOTE 7 indicates that a prior period adjustment was required to record the implementation of the net pension liability required by GASB 68. This footnote summarizes the restatement of the beginning net position.

NOTE 8 provides information related to agreements with other government entities for mutual aid and the use of property.

Required Supplemental Information

This section contains The STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - Budget and Actual-Governmental Funds.

Other Required Supplemental Information

This section contains the SCHEDULE OF FUNDING PROGRESS for Other Post Employment Benefits. It also contains two new schedules, the SCHEDULE OT THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY and the SCHEDULE OF CONTRIBUTORS, both required by GASB 68 for the District's Net Pension Liability.

Because the Fire Suppression Benefit Assessment is a parcel assessment, it is not impacted by property value fluctuations. If approved by the CCSD Board of Directors, it can increase by the annual increase in the consumer price index, up to a maximum of 5.4%. It increased by $8,340 (2.0%) from fiscal year 2013-2014 to fiscal year 2014-2015. It represents 25% of the Fire Department's revenue in the CCSD's fiscal year 2014-2015 Budget.

The economic situation also may have been impacting utility sales for the last several years, although this is not as readily discernable as with property tax revenue. Water and sewer sales decreased at the start of the economic downturn in fiscal year 2007-2008, staying depressed until the 2011-2012 fiscal year at which time they rebounded significantly, although they remained slightly below their highest level, which occurred in fiscal year 2006-2007.

Environmental factors also substantially impacted utility sales during fiscal year 2014-2015. Because of persistent drought conditions in California and a predicted shortage of water availability, in January 2014 the District declared a Stage 3 Water Emergency and implemented a Stage 3 Water Conservation plan in the District which included the imposition of water use restrictions. It was anticipated that the restrictions would result in a 20% reduction in water use in the community. The actual reduction in water use was almost 40% for the last four months of the fiscal year 2013-2014 and in all of fiscal year 2014-2015. The reduced water consumption resulted in a decrease in water sales for fiscal year 2014-2015 of 27% and a decrease in sewer sales for the year of 7.2%.

Also in January 2014, the District began planning and developing an emergency water supply project that would preclude future similar water shortages. The project selected is comprised of a brackish water desalination plant and related equipment capable of converting available brackish water into reusable water which is diverted back into the ground for use as potable water. The system is expected to eliminate the need for any future water emergency condition in the District.

In anticipation of this project, the District also authorized a "Water and Sewer Plan Rate Study to evaluate the existing rate structure in the District and develop a proposed rate structure that would promote water conservation and fund construction of the emergency water supply project. In July 2014, the District adopted a special surcharge to water rates that generated $897,000 during fiscal year 2014-2015 in additional revenue to fund the emergency water supply project.

Once the increased water rates were approved, the District borrowed $8,939,000 in a private placement loan from Western Alliance Bank Corporation in August 2014 to help pay for the Emergency Water Supply Project. CCSD also applied for a Proposition 84 Integrated Regional Water Management Grant as part of San Luis Obispo County's DWR submittal to help finance the same project. Those grant funds are provided by the State but administered by the County of San Luis Obispo. CCSD was approved for more than $4 million dollars in grant funds. Expenditures for the construction and permitting for the Sustainable Water Facility project were budgeted for $12,736,588 so the total of the loan received and the approved grant exceeded that budget. CCSD received the loan proceeds in August 2014 and anticipated receiving the grant funds during the summer of 2015 which would have coincided with expenditures on the project. However, in September of 2015, CCSD realized that a new Groundwater Management Plan was required in order to comply with the requirements of the grant. The receipt of grant funds were delayed until the Groundwater Management Plan was adopted in November 2015. Grant funds of $4,163,142 were received by CCSD on December 17, 2015. Between the summer of 2015 and the receipt of the grant funds in December 2015, expenditures on the Sustainable Water Facility were funded by loans from the CCSD General Fund to the CCSD Water Fund. Expenditures of $10,254,853 had been incurred at June 30, 2015.

Two significant factors other than the general economic situation and the current drought, impact the financial strength of the CCSD. They are:

- Minimal capacity fee revenue; and
- Stagnate customer base

These conditions present significant fiscal challenges to the CCSD. Having only minimal capital revenue has resulted in most enterprise funds' capital outlays being financed by operating revenue or by transfers from the General Fund after fiscal year 2005-2006. A stagnate customer base results in little or no growth in revenue as well as in lost economies of scale. To meet these challenges, the CCSD increased water fees by 9.75% and sewer fees by 15% as of July 1, 2009 and reduced staffing and employee benefits costs as well as reducing other operating costs. While a hiring freeze imposed by the Board of Directors has since been reversed, the following staff positions have been eliminated: the Assistant General Manager, Assistant Fire Chief, Assistant Finance Manager, Administrative Technician (Fire Department) and an Administrative

Technicians (Finance). Reduced retirement formulas have been adopted for new employees and all newly hired employees contribute the full employee portion to their pensions. For existing employees, all employee groups are now paying a portion of their retirement benefit and management/confidential employees and SEIU employees will be paying the full employee portion to their pensions within two years. Greater cost-sharing for medical insurance is also being paid by management/confidential employees and SEIU employees. After increasing from $2,563,201 in fiscal year 2007-2008 to $2,566,283 in fiscal year 2008-2009, total salaries and wages decreased to $2,386,305 in fiscal year 2009-2010, to $2,299,794 (this figure does not include the severance pay paid to the previous General Manager) in fiscal year 2010-2011 and to $2,228,801 in fiscal year 2011-2012. Total salaries and wages increased to $2,281,216 in fiscal year 2012-2013, to $2,393,418 in fiscal year 2013-2014 but then decreased to $2,285,226 in fiscal year 2014-2015 which is still a net decrease of $281,057 or 11.0% over the last six fiscal years. The preceding amounts include all salaries and wages, including any capitalized amounts.

Retirement is the most expensive employee benefit of the CCSD. The annual pension cost decreased from $675,070 in fiscal year 2007-2008 to $647,662 in fiscal year 2008-2009, to $628,216 in fiscal year 2009-2010, and to $553,184 in fiscal year 2010-2011. While it increased to $568,541 in fiscal year 2011-2012 and to $598,842 in fiscal year 2012-2013, and it decreased in fiscal year 2013-2014 to $552,184. In fiscal year 2014-2015 it decreased to $509,753 which represents a decrease of $165,317, or 32.4% over the five year period. There are various factors that will impact the retirement rates and cost in the future. While such factors as total salaries, inflation rates and returns on investments are always involved and the agreements with employees to institute a second tier of retirement rates for newly hired employees and for current employees to pay a greater portion of their retirement contributions will serve to lower rates, there are 2 other factors that will impact the retirement rates for employees hired under the first tier formula in the short term (one of which will impact the rates permanently). The first item is a recently CalPERS approved methodology for amortization and smoothing. These are outlined in CalPERS Circular Letter 200-019-13. This policy change calls for increasing retirement rates from fiscal year 2015-2016 through fiscal year 2019-2020 with the projected increases for Safety (Fire Department) employees being 2.38% in fiscal year 2015-2016 rising to 11.9% in fiscal year 2019-2020. For Miscellaneous employees (all other departments) being 1.28% in fiscal year 2015-2016 rising to 6.4% in fiscal year 2019-2020. After fiscal year 2019-2020, the increases will be deleted. The second item is the retirement of the CCSD's Side Funds. "Side Fund" is the term used by CalPERS "to account for the difference between the funded status of the (entity's) pool and the funded status of the (entity's) plan, in addition to your existing unfunded liability". It is the 'catch-up' required when a higher formula plan is adopted by an entity. For fiscal year 2013-2014, paying the Safety Side Fund adds 4.343% to the Net Employer Contribution rate of 30.492% and paying the Miscellaneous Side Fund adds 11.484% to the Net Employer Contribution rate of 27.208%. The final year for paying the Safety Side Fund is fiscal year 2014/2015 and the final year for paying the Miscellaneous Side Fund is fiscal year 2016/2017 at which time, contribution rates should decrease by the Side Fund rates.

Employee health insurance is the second most expensive employee benefit of the CCSD. The annual employee medical insurance cost decreased from $349,459 in fiscal year 2007-2008 to $341,026 in fiscal year 2008-2009, to $242,246 in fiscal year 2009-2010 (approximately $48,400 of this decrease was due to a two-month premium "holiday" from paying monthly premiums due to excess profits of the provider), increased to $253,951 in fiscal year 2010-2011, decreased to $244,632 in fiscal year 2011-2012, increased to $281,801 in fiscal year 2012-2013, decreased to $262,217 in fiscal year 2013-2014 and increased to $282,501 in fiscal year 2014-2015. This is an overall decrease of $66,958 or 23.7%. The CCSD changed the insurance plan from a PPO to a HMO January 1, 2010, which reduced its contribution (employees staying in the PPO paid all of the excess cost). Agreements with management/confidential employees and SEIU employees provide for increased premium contributions to be made by employees.

Retiree health insurance is the third most expensive employee benefit of the CCSD. It increased from $174,820 in fiscal year 2007-2008 to $178,943 in fiscal year 2008-2009, it decreased to $148,546 in fiscal year 2009-2010 (approximately $35,700 of this decrease was due to a two-month premium "holiday" from paying monthly premiums due to excess profits of the provider), it increased to $209,186 in fiscal year 2010-2011, increased to $270,349 in fiscal year 2011-2012 and decreased to $240,734 in fiscal year 2012-2013, decreased again in fiscal year 2013-2014 to $222,500 and decreased again in fiscal year 2014-2015 to $193,393. This is an overall increase of $18,573 or 9.6% since fiscal year 2007-2008. Agreements with management/confidential employees and SEIU employees provide for increased premium contributions to be made by retirees and newly hired employees will receive a reduced health insurance premium benefit equal to the Public Employees' Medical and Hospital Care Act (PEMHCA) minimum, which is currently $115. These changes are expected to result in a great reduction of retiree health insurance costs in the future.

After decreasing for several years, the CCSD's total Cash and Investments was $4,265,148 as of June 30, 2009. It increased to $4,499,040 as of June 30, 2010, decreased to $4,386,277 as of June 30, 2011 (however, while the balance decreased $112,763, it would have increased by $293,084 if the capital lease for the fire pumper had not been paid off early and the severance package for the prior general manager had not occurred), increased to $4,654,815 as of June 30, 2012, increased to $4,890,266 as of June 30, 2013, decreased to $3,877,738 as of June 30, 2014 and decreased again to $2,446,332 as of June 30, 2015.

Personnel costs represent 52.7% of the CCSD's operating expenditures for fiscal year 2014-2015. Several steps, the most significant being discussed above, have been taken to control these costs. While some costs will continue to increase, at least in the short-term future, the overall cost structure has been greatly improved and personnel costs appear to be sustainable.

While personnel costs are the largest category of expenditures, another cost area warrants discussion as the costs are rising rapidly plus the underlying exposure has the potential to greatly impact the CCSD's economic viability. These are the maintenance and repair costs. While these costs range from copier repairs to vehicle repairs to pump repairs, the vast majority are related to maintenance and repair costs of the water and sewer infrastructure. The total maintenance and repair costs were $296,877 in fiscal year 2008-2009. They increased to $380,638 in fiscal year 2009-2010, increased to $419,797 in fiscal year 2010-2011, increased to $530,902 in 2011-2012, increased to $798,283 in fiscal year 2012-2013, increased to $1,023,755 in fiscal year 2013-2014 and decreased in fiscal year 2014-2015 to $627,992. Despite all of these expenditures, there is still significant deferred maintenance in both the Water and Wastewater Funds.

Related to the increase in maintenance and repair costs is the increase in capital outlay costs. Capital outlay involves either the purchase of new fixed assets or the betterment of existing fixed assets. As with maintenance and repair costs, these costs can range from the purchase of a copier to a fire engine to a new water or sewer infrastructure and, as with maintenance and repair costs, the vast majority are related to the water and sewer departments. These costs do not include capital improvement projects, which are multi-year projects that usually have very high costs, such as a new water tank. The total capital outlay costs were $82,298 in fiscal year 2009-2010, decreased to $28,243 in fiscal year 2010-2011, increased to $182,859 in 2011-2012, increased to $200,766 in fiscal year 2012-2013, increased to $324,345 in fiscal year 2013-2014 and increased again in fiscal year 2014-2015 to $438,611. This is a 433% increase in five years.

Even with the large increases noted above, a large number of projects necessary to maintain water and sewer services have been identified and these costs have the possibility of creating serious economic consequences for the CCSD.

The Board of Directors approved the operating budget for fiscal year 2015-2016 on June 25, 2015. Projected activity for all funds is as follows: Water-a deficit of $412,446 (the $45,987 is expected to be transferred from reserves); Wastewater (Sewer)-a deficit of $207,316 (the $207,316 is expected to be transferred from reserves): Governmental (General)-zero balance.

CAMBRIA COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTORS AND ADMINISTRATION
June 30, 2015

BOARD OF DIRECTORS

NAME	TERM EXPIRES
Gail Robinette, President	December 2016
Muril Clift, Vice President	December 2016
Jim Bahringer, Director	December 2018
Amanda Rice, Director	December 2016
Michael Thompson, Director	December 2018

ADMINISTRATION

Jerry Gruber	General Manager
Tim Carmel	District Counsel

CAMBRIA COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
June 30, 2015

	Primary Government		
ASSETS	Governmental Activities	Business-type Activities	Total
Cash and investments	$ 1,474,595	$ 956,116	$ 2,430,711
Receivables:			
Interest receivable	1,213		1,213
Taxes	54,953		54,953
Other	20,949	722,755	743,704
Prepaid costs	140,977	16,763	157,740
Note receivable	3,537		3,537
Due from other funds	2,737,310		2,737,310
Intangible-water master plan, net of amortization		1,396,452	1,396,452
Capital assets:			
Nondepreciable	15,243,669	17,963,671	33,207,340
Depreciable, net	1,136,909	11,099,838	12,236,747
Total capital assets, net of depreciation	16,380,578	29,063,509	45,444,087
Total assets	$ 20,814,112	$ 32,155,595	$ 52,969,707
Deferred Outflows of Resources - Deferred Pensions	$ 7,124	$ 15,137	$ 22,261
LIABILITIES			
Accounts payable	$ 46,821	$ 325,328	$ 372,149
Accrued expenses	271,041	158,670	429,711
Accrued interest payable		163,398	163,398
Refundable deposits	4,874	43,549	48,423
Deferred revenue	4,537	92,740	97,277
Due to other funds		2,737,310	2,737,310
Long-term liabilities			
Net pension liability	1,809,089	2,047,604	3,856,693
Due within one year	28,315	599,111	627,426
Due within more than one year	428,780	9,729,431	10,158,211
Total liabilities	$ 2,593,457	$ 15,897,141	$ 18,490,598
Deferred Inflows of Resources - Deferred Pensions	$ 561,645	$ 550,101	$ 1,111,746
NET POSITION			
Invested in capital assets-net of related debt	16,274,711	18,650,671	34,925,382
Unrestricted (deficit)	1,391,423	(2,927,181)	(1,535,758)
Total net position	$ 17,666,134	$ 15,723,490	$ 33,389,624

The accompanying notes are an integral part of these financial statements

CAMBRIA COMMUNITY SERVICES DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2015

Functions/Programs		***Program Revenues***		***Net (Expense) Revenue and Change in Net Position*** **Primary Government**		
Primary government:	**Expenses**	**Charges for Services**	**Operating Grants**	**Governmental Activities**	**Business-type Activities**	**Totals**
Governmental activities:						
Administration	$ 1,539,375	$ 1,209,659	$ -	$ (329,716)		$ (329,716)
Fire	2,082,367	15,913		(2,066,454)		(2,066,454)
Parks and recreation	7,544			(7,544)		(7,544)
Facilities and resources	632,909			(632,909)		(632,909)
Total governmental activities	4,262,195	1,225,572		(3,036,623)		(3,036,623)
Business-type activities:						
Water	2,730,885	2,242,086			$ (488,799)	(488,799)
Wastewater	2,323,545	1,751,679			(571,866)	(571,866)
Total business-type activities	5,054,430	3,993,765			(1,060,665)	(1,060,665)
Total primary government	$ 9,316,625	$ 5,219,337	$ -	(3,036,623)	(1,060,665)	(4,097,288)
General revenues:						
Taxes:						
Property taxes and assessments				2,477,587		2,477,587
Availability charges					292,870	292,870
Connection fees					8,185	8,185
Franchise taxes				74,684		74,684
Investment income				37,130	2,991	40,121
Other income				35,107		35,107
Total general revenues, investment and other income				2,624,508	304,046	2,928,554
Change in net position				(412,115)	(756,619)	(1,168,734)
Net position - beginning restated for 2015				18,078,249	16,480,109	34,558,358
Net position - ending				$ 17,666,134	$ 15,723,490	$ 33,389,624

The accompanying notes are an integral part of these financial statements

CAMBRIA COMMUNITY SERVICES DISTRICT

BALANCE SHEET
Governmental Funds
June 30, 2015

	General Fund
ASSETS	
Cash and investments	$ 1,474,595
Receivables:	
Interest	1,213
Taxes	54,953
Other	20,949
Prepaid items	140,977
Note receivable	3,537
Amount due from other funds	2,737,310
Total assets	$ 4,433,534
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	$ 46,821
Accrued expenses	271,041
Refundable deposits	4,874
Deferred revenue	4,537
Total liabilities	327,273
Fund balances:	
Nonspendable	144,514
Assigned	3,961,747
Total fund balances	4,106,261
Total liabilities and fund balances	$ 4,433,534

The accompanying notes are an integral part of these financial statements

CAMBRIA COMMUNITY SERVICES DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2015

Total fund balances - government funds	$ 4,106,261
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	16,380,578
Long-term liabilities and compensated absences have not been included in the governmental funds activity:	
Net pension liabilities	(2,363,610)
Compensated absences	(378,819)
Loans payable	(78,276)
Net position of governmental activities	$ 17,666,134

The accompanying notes are an integral part of these financial statements

CAMBRIA COMMUNITY SERVICES DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
Governmental Funds
For the Year Ended June 30, 2015

	General Fund
Revenues:	
Property taxes and assessments	$ 2,477,587
Weed abatement	15,913
Franchise fees	74,684
Use of money and property	37,130
Charges for administrative services	1,209,659
Other	35,107
Total revenues	3,850,080
Expenditures:	
Current:	
Administration	1,488,549
Fire	1,844,513
Parks and Recreation	8,112
Facilities and Resources	596,654
Debt service:	
Principal	27,591
Interest and other charges	2,966
Capital outlay	10,796
Total expenditures	3,979,181
Net change in fund balance	(129,101)
Fund balance at beginning of year	4,235,362
Fund balance at end of year	$ 4,106,261

The accompanying notes are an integral part of these financial statements

CAMBRIA COMMUNITY SERVICES DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2015

Net change in governmental fund balances		$ (129,101)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, pension expense is measured as the change in net pension liability and the amortization of deferred outflows and inflows related to pensions. This amount represents the change in pension related amounts.		(35,887)
Loan proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net position. In the current period, these amounts are:		
Repayment of loans payable		27,591
In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amount paid).		(154,050)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and expensed as depreciation expense. In the current period, these amounts are:		
Capital outlay	$ 10,796	
Depreciation expense	(131,464)	
Combined adjustment for capital outlay and depreciation		(120,668)
Change in Net Position of Governmental Activities		$ (412,115)

The accompanying notes are an integral part of these financial statements

CAMBRIA COMMUNITY SERVICES DISTRICT

STATEMENT OF NET POSITION
Proprietary Funds
June 30, 2015

	Business-type Activities Enterprise Funds: Water Fund	Wastewater Fund	Totals
ASSETS			
Current assets:			
Cash and investments	$ 395,110	$ 561,006	$ 956,116
Accounts receivable, net of allowance	399,874	322,881	722,755
Prepaid expense	9,174	7,589	16,763
Total current assets	804,158	891,476	1,695,634
Noncurrent assets:			
Capital assets:			
Construction in progress	15,467,875	221,417	15,689,292
Land	898,949	1,375,430	2,274,379
Plant and facilities	18,027,236	23,860,581	41,887,817
Machinery and equipment	522,802	963,340	1,486,142
Less: accumulated depreciation	(12,624,059)	(19,650,062)	(32,274,121)
Total noncurrent assets	22,292,803	6,770,706	29,063,509
Other assets:			
Intangible-water master plan, net $214,838 amortization	1,396,452		1,396,452
Total other assets	1,396,452		1,396,452
Total assets	$ 24,493,413	$ 7,662,182	$ 32,155,595
Deferred Outflows of Resources - Deferred Pensions	$ 7,791	$ 7,346	$ 15,137
LIABILITIES			
Current liabilities:			
Accounts payable	$ 290,448	$ 34,880	$ 325,328
Accrued expenses	78,774	79,896	158,670
Accrued interest payable	150,526	12,872	163,398
Refundable deposits	43,549		43,549
Deferred revenue	92,740		92,740
Due to other funds	2,047,696	689,614	2,737,310
Current portion of noncurrent liabilities	312,779	286,332	599,111
Total current liabilities	3,016,512	1,103,594	4,120,106
Noncurrent liabilities:			
Net pension liability	1,053,914	993,690	2,047,604
Compensated absences	93,764	47,528	141,292
Loan payable, less current portion		8,755	8,755
Note payable, less current portion	8,494,384	1,085,000	9,579,384
Total noncurrent liabilities	9,642,062	2,134,973	11,777,035
Total liabilities	$ 12,658,574	$ 3,238,567	$ 15,897,141
Deferred Inflows of Resources - Deferred Pensions	$ 283,140	$ 266,961	$ 550,101
NET POSITION			
Invested in capital assets - net of related debt	$ 13,485,640	$ 5,390,619	$ 18,876,259
Unrestricted (deficit)	(1,926,150)	(1,226,619)	(3,152,769)
Total net position	$ 11,559,490	$ 4,164,000	$ 15,723,490

The accompanying notes are an integral part of these financial statements

CAMBRIA COMMUNITY SERVICES DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Proprietary Funds
For the Year Ended June 30, 2015

	Business-type Activities Enterprise Funds		
	Water Fund	Wastewater Fund	Totals
Operating revenues:			
Utility sales	$ 1,543,444	$ 1,751,528	$ 3,294,972
Service charges and fees	698,642	151	698,793
Total operating revenues	2,242,086	1,751,679	3,993,765
Operating expenses:			
Salaries and wages	489,725	331,930	821,655
Payroll taxes and benefits	284,087	230,187	514,274
Maintenance and repairs	227,446	239,024	466,470
Office supplies, publications, and dues	24,974	19,983	44,957
Licenses and fees	20,299	104,161	124,460
Rent	36,167	487	36,654
Professional services	131,898	41,816	173,714
Operating supplies	209,929	46,967	256,896
Employee travel and training	3,243	12,698	15,941
Retrofit and rebate program	21,505		21,505
Utilities	129,609	184,153	313,762
General and administrative overhead	448,333	392,818	841,151
Amortization	107,419		107,419
Depreciation	594,794	652,910	1,247,704
Total expenses	2,729,428	2,257,134	4,986,562
Net operating loss	(487,342)	(505,455)	(992,797)
Non-operating revenues (expenses):			
Availability charges	177,474	115,396	292,870
Connection fees	8,185		8,185
Investment income		2,991	2,991
Interest expense	(1,457)	(66,411)	(67,868)
Total non-operating revenues (expenses)	184,202	51,976	236,178
Change in net assets	(303,140)	(453,479)	(756,619)
Net position at beginning of year (as restated)	11,862,630	4,617,479	16,480,109
Net position at end of year	$ 11,559,490	$ 4,164,000	$ 15,723,490

The accompanying notes are an integral part of these financial statements

CAMBRIA COMMUNITY SERVICES DISTRICT

STATEMENT OF CASH FLOWS
Proprietary Funds
For the Year Ended June 30, 2015

	Business-type Activities Enterprise Funds		
	Water Fund	Wastewater Fund	Totals
Cash flows from operating activities:			
Cash received from operating revenue	$ 2,080,339	$ 1,749,000	$ 3,829,339
Payments to suppliers	(1,185,296)	(1,191,191)	(2,376,487)
Payments to employees	(489,725)	(331,930)	(821,655)
Net cash provided by operating activities	405,318	225,879	631,197
Cash flows from non-capital financing activities:			
Proceeds from interfund loan		689,614	689,614
Interfund loan paid	(204,211)		(204,211)
Net cash provided (used) by non-capital financing activities	(204,211)	689,614	485,403
Cash flows from capital and related financing activities:			
Proceeds from note payable	8,939,000		8,939,000
Principal paid on capital debt	(199,111)	(303,717)	(502,828)
Interest paid on capital debt	(1,457)	(66,411)	(67,868)
Purchase of capital assets	(10,384,496)	(386,775)	(10,771,271)
Change in net pension liability	(19,886)	(18,749)	(38,635)
Standby availability	177,474	115,396	292,870
Connection fees	8,185	-	8,185
Net cash used by capital and related financing activities	(1,480,291)	(660,256)	(2,140,547)
Cash flows from investing and non-operating activities:			
Investment income	-	2,991	2,991
Net cash provided by investing and non-operating activities	-	2,991	2,991
Net change in cash	(1,279,184)	258,228	(1,020,956)
Cash and cash equivalents-beginning	1,674,294	302,778	1,977,072
Cash and cash equivalents-end	$ 395,110	$ 561,006	$ 956,116
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	$ (487,342)	$ (505,455)	$ (992,797)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	594,794	652,910	1,247,704
Amortization	107,419		107,419
Net changes in assets and liabilities:			
Increase in accounts receivable	(161,748)	(2,678)	(164,426)
Decrease in prepaid expense	9,474	3,512	12,986
Increase in accounts payable	101,860	2,192	104,052
Increase in accrued expenses	44,220	79,896	124,116
Increase (decrease) in accrued interest payable	150,214	(1,715)	148,499
Increase in refundable deposits	2,091		2,091
Increase (decrease) in compensated absences	44,336	(2,783)	41,553
Net cash provided by operating activities	$ 405,318	$ 225,879	$ 631,197

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Cambria Community Services District (CCSD) is a multi-purpose special district established on December 9, 1976. CCSD is a political subdivision of the State of California and operates under a Board of Directors-Manager form of government. CCSD provides water, wastewater, fire protection, parks and recreation, open space, street lighting, conservation and general administrative services.

There are no component units included in this report which meet the criteria of Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity as amended by GASB Statement No. 39.

Basis of Accounting, Measurement Focus, and Financial Statements Presentation

The basic financial statements of CCSD are composed of the following:

- Government-Wide and Fund Financial Statements
- Fund Financial Statements
- Notes to the Financial Statements

Government-Wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole. These Statements include separate columns for the governmental activities and business-type activities of the primary government (including its blended component units), as well as its discreetly presented component units. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of CCSD.

Government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statement. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains losses, assets, and liabilities resulting from non-exchange transaction are recognized in accordance with the requirements of GASB Statement number 33.

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting, Measurement Focus, and Financial Statements Presentation (continued)

Fund Financial Statements

The underlying accounting system of CCSD is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government are presented after the government-wide financial statements. These statements display information about major funds individually and non-major funds in the aggregate for governmental and enterprise funds.

Governmental Funds

In the fund financial statements, governmental funds are presented using the modified – accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Measurable means that the amounts can be estimated, or otherwise determined. Available means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. Revenue recognition is subject to the measurable and availability criteria for the governmental funds in the fund financial statements. Exchange transactions are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). Locally imposed derived tax revenues are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. Imposed non-exchange transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. Government-mandated and voluntary non-exchange transactions are recognized as revenues when all applicable eligibility requirements have been met.

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of “available spendable resources.” Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting, Measurement Focus, and Financial Statements Presentation (continued)

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered "available spendable resources," since they do not represent net current assets. Recognition of governmental fund type revenue represented by non-current receivables are deferred until they become current receivables. Non-current portions of other long-term receivables are offset by fund balance reserve accounts. Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the fiscal year that resources were expended, rather than as capital assets. The proceeds of long-term debt are recorded as an other financing sources rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

When both restricted and unrestricted resources are combined in a fund, expenditures/expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

CCSD reports the following major governmental fund:

> **General Fund:** is the primary operating fund of CCSD. It is used to account for all financial resources except those required to be accounted for in another fund.

CCSD reports the following major proprietary funds:

> **Water Fund:** accounts for the activities of CCSD's water operations.
> **Wastewater Fund:** accounts for activities of CCSD's sewer operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation.

Proprietary funds distinguish 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 proprietary funds' principal ongoing operations. The principal operating revenues of the Water and Wastewater Funds are charges to customers. Operating expenses for the Water and Wastewater Funds include non-capital expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting

An annual budget is adopted by the Board of Directors at the start of each fiscal year. Any changes or revisions to that budget throughout the year must be approved by the Board of Directors.

Estimates

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

Encumbrances

Encumbrance accounting is used for the General Fund. Encumbrances are recorded when purchase orders are issued but are not considered expenditures until liabilities for payments are incurred. Encumbrances are no longer reported as a separate fund balance category on the balance sheet. Encumbrances do not lapse at the close of the fiscal year but are carried forward until liquidated.

Cash and Cash Equivalents

For purposes of the statement of cash flows, CCSD considers all highly liquid investments with a maturity of three months or less to be cash and cash equivalents.

Investments

Investments are stated at fair value.

Accounts Receivable

CCSD water and wastewater charges are billed bimonthly for all residential and commercial customers. Customer accounts receivable are placed on the tax roll when the receivable is deemed uncollectible by CCSD. Management has determined that an allowance for doubtful accounts is zero and not considered necessary since it would not be material.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2014, are recorded as prepaid expenses.

Property Taxes

The County of San Luis Obispo bills and collects property taxes for CCSD. The County charges CCSD for these services. Tax revenues are recognized as soon as the County indicates that they are due to the CCSD.

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Plant and Equipment

General capital assets generally result from expenditures in governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are valued at historical cost or estimated historical cost, if actual costs are not available. Donated fixed assets are stated at their fair market value on the date donated. CCSD currently maintains a capitalization threshold of $5,000 and an estimated useful life exceeding two years. Improvements are capitalized and the cost of normal maintenance and repairs that do not add to the value of the net asset or materially extend the asset's life are not.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the applicable governmental or business-type activity column in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective statement of net assets. The estimated useful lives are as follows:

Equipment	3 to 10 years
Improvements	5 to 20 years

Compensated Absences

The accrual for vacation/sick time earned but not taken by staff employees was calculated based on actual vacation/sick days and applied to the individual employees' hourly rate.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities fund type statement of net assets. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

Concentrations

CCSD will provide water/wastewater services to customers located in the County of San Luis Obispo. Consequently, its ability to collect amounts due from customers may be affected by economic fluctuations, within this region and within the State of California as a whole.

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenses/expenditures in the reimbursing fund and as reductions of expenses/expenditures in the fund that is reimbursed.

With the exception of the loan between the general fund and the water fund, all other interfund transactions except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as contributions awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available.

Fund Balances

Fund balance can now be displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-spendable fund balance – amounts that are not in a spendable form are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers, through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned fund balance – amounts that have no specific restrictions, commitments or assignments.

If restricted and unrestricted assets are available for the same purpose, the restricted assets will be used before unrestricted assets.

Net Position

Net position presents the difference between assets and liabilities in the statement of net position. Net position invested in capital assets is reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on their use by external restrictions by creditors, grantors, laws or regulations of other governments.

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Going Concern

The net position for the business-type activities recorded a deficit at year end, indicated a possible going concern problem. This deficit resulted from the capitalization of an emergency water supply project in order to provide water to the community, due to the drought. State funding for this project was delayed until a groundwater management plan could be approved in December 2015. The resulting grant corrected the deficit in the 2015/2016 fiscal year.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Effect of New Governmental Accounting Standards Board (GASB) Pronouncements

Effective This Fiscal Year:

GASB Statement #68 – In June 2012, GASB issued Statement #68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement #27.* This Statement replaces the requirements of Statements #27 and #50 related to pension plans that are administered through trust or equivalent arrangements. The requirements of Statements #27 and #50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The District implemented this statement effective July 1, 2014.

GASB Statement #69 – In January 2013, GASB issued Statement #69, *Government Combinations and Disposals of Government Operations.* This Statement is effective for periods beginning after December 31, 2013. This Statement was effective July 1, 2014. The District has determined that this Statement does not have a material impact on the financial statements.

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Future Government Accounting Standards Board (GASB) Statements

GASB Statements Nos. 72-77 listed below will be implemented in future financial statements:

Statement No. 72	Accounting and Financial Reporting for Fair Value Measurement and Application	The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015.
Statement No. 73	Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68	The provisions of this Statement are effective for financial statements beginning after June 15, 2015.
Statement No. 74	Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans	The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016.
Statement No. 75	Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions	The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016.
Statement No. 76	The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments	The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015.
Statement No. 77	Tax Abatement Disclosures	The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015.

NOTE 2: CASH AND INVESTMENTS

CCSD pools idle cash from all funds for the purpose of increasing income through investment. Earnings from such investments are allocated to the respective funds on the basis of applicable cash balances of each fund.

The values of cash and investments at June 30, 2015 are summarized as follows:

Petty cash	$	600
Demand deposits		876,522
Cash and investments with:		
Local Agency Investment Fund (LAIF)		1,553,589
Total cash and investments	$	2,430,711

The California Government Code requires California banks and savings and loan associations to secure a district's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of a district's deposits. California law also allows financial institutions to secure district deposits by pledging first trust deed mortgage notes having a value of 150% of a district's total deposits. CCSD may waive collateral requirements for deposits which are fully insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC).

Credit Risk, Carrying Amount, and Market Value

Cash is classified in three categories of credit risk as follows:

Category 1 -insured or collateralized with securities held by the entity or by its agent in the entity's name;

Category 2 -collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name; and

Category 3 -uncollateralized.

At June 30, 2014, the carrying amounts of the CCSD's cash demand deposits were $876,522. The bank's balances were $968,714. This difference is due to the normal deposits in transit and outstanding checks. CCSD cash deposits by category as of June 30, 2015, were as follows:

	Category 1	Category 2	Category 3	Bank Balance	Carrying Amount
Bank accounts	$ 968,714	$ -0-	$ -0-	$ 968,714	$ 876,522

NOTE 3: PROPERTY, PLANT AND EQUIPMENT

summary of capital assets by major classifications is as follows:

Governmental activities:	**Balance June 30, 2014**	**Additions**	**Obsolete Assets/ Reclassified**	**Balance June 30, 2015**
Non-depreciable capital assets				
Land	$ 14,990,732	$ -	$ -	$ 14,990,732
Construction in progress	242,141	10,796		252,937
Total nondepreciable Capital assets	15,232,873	10,796		15,243,669
Depreciable capital assets				
Buildings and improvements	1,753,270			1,753,270
Equipment	1,831,089			1,831,089
Total depreciable capital assets	3,584,359			3,584,359
Less accumulated depreciation	(2,315,986)	(131,464)		(2,447,450)
Net depreciable capital assets	1,268,373	(131,464)	-	1,136,909
Net capital assets	$ 16,501,246	$ (120,668)	$ -	$ 16,380,578

Business-type activities:				
Non-depreciable capital assets				
Land	$ 2,274,379	$ -	$ -	$ 2,274,379
Construction in progress	5,171,748	10,517,544		15,689,292
Total non-depreciable capital assets	7,446,127	10,517,544		17,963,671
Depreciable capital assets				
Buildings and facilities	41,398,359	220,088		41,618,447
Machinery and equipment	1,721,873	33,639		1,755,512
Total depreciable capital assets	43,120,232	253,727		43,373,959
Less accumulated depreciation	(31,026,417)	(1,247,704)		(32,274,121)
Net depreciable capital assets	12,093,815	(993,977)		11,099,838
Net capital assets	$ 19,539,942	$ 9,523,567	$ -	$ 29,063,509

Depreciation expense for all funds was $1,379,168 for the year ended June 30, 2015.

NOTE 4: ACCRUED EXPENSES

Accrued expenses as of June 30, 2015, are summarized as follows:

Salaries payable	$	162,506
Other post employment benefits (OPEB) payable		267,205
Total accrued liabilities	$	429,711

NOTE 5: LONG-TERM DEBT

Loan Payable

On February 17, 2006, the CCSD entered into a loan agreement for $1,897,500 with the Municipal Finance Corporation to advance refund its 1995 water and wastewater bonds. The interest rate on the loan was 4.5%. At June 30, 2015, the loan payable principal balance outstanding was $0. The loan allocated 65% to water operations and 35% to wastewater operations. The final loan payment was due May 1, 2015.

On November 1, 2012, the CCSD entered into a loan agreement for $102,000 with the Municipal Finance Corporation to purchase vehicles. The interest rate on the loan is 3.25%. At June 30, 2015, the loan payable principal balance outstanding was $52,630. The loan is allocated 34.3% to the general fund, 32.95% to water operations, and 32.75% to wastewater operations. The loan payable is due April 1, 2017.

On July 31, 2013, the CCSD entered into a loan agreement for $31,350 with John Deere Finance to purchase a vehicle. The interest rate on the loan is 0.0%. At June 30, 2015, the loan payable principal balance outstanding was $19,333. The loan payable is due July 30, 2018.

On October 30, 2013, the CCSD entered into a loan agreement for $53,612 with Municipal Finance Corporation to purchase vehicles. The interest rate on the loan is 3.5%. At June 30, 2015, the loan payable principal balance outstanding was $40,893. The loan is allocated 65.71% to the fire operations and 34.29% for general fund administration.

The loan payments are as follows:

Fiscal Year Ending June 30,		Principal		Interest		Total
2016	$	45,329	$	3,142	$	48,471
2017		46,631		1,840		48,471
2018		20,373		493		20,866
2019		523				523
Totals	$	112,856	$	5,475	$	118,331

NOTE 5: LONG-TERM DEBT (continued)

Notes Payable:

A State Water Resource Control Board (SWRCB) note payable totaling $2,512,330 was issued on September 13, 1994, with an interest rate at 3 percent. At June 30, 2015, the note payable principal balance outstanding was $168,851. Note principal payments are due annually on May 28th through 2016.

A City National Bank note payable totaling $1,585,000 was issued on September 23, 2010 with an interest rate at 4.5 percent. At June 30, 2015, the note payable principal balance outstanding was $1,194,000. Note principal payments are due annually on September 23rd through 2023.

A TPB Investments, Inc. note payable totaling $8,939,000 was issued on August 7, 2014 with an interest rate at 4.11 percent. At June 30, 2015, the note payable principal balance outstanding was $8,789,819. Note principal payments are due semiannually on February 1st and August 1st through 2034.

The note payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	$ 582,097	$ 415,049	$ 997,146
2017	427,861	392,339	820,200
2018	444,893	374,029	818,922
2019	468,465	354,859	823,324
2020	486,604	334,806	821,410
2021-2025	2,599,488	1,346,536	3,946,024
2026-2030	2,459,119	838,008	3,297,127
2031-2035	2,684,143	283,272	2,967,415
Totals	$ 10,152,670	$ 4,338,898	$ 14,491,568

Total future debt service payments by activity are as follows:

Fiscal Year Ending	Governmental Activities		Business-type Activities		
June 30,	Principal	Interest	Principal	Interest	Total
2016	$ 28,315	$ 2,019	$ 599,111	$ 416,172	$ 1,045,617
2017	29,065	1,269	445,427	392,910	868,671
2018	20,373	493	444,893	374,029	839,788
2019	523		468,465	354,859	823,847
2020			486,604	334,806	821,410
2021-2025			2,599,488	1,346,536	3,946,024
2026-2030			2,459,119	838,008	3,297,127
2031-2035			2,684,143	283,272	2,967,415
Totals	$ 78,276	$ 3,781	$ 10,187,250	$ 4,340,592	$ 14,609,899

NOTE 5: LONG-TERM DEBT (continued)

Changes in long-term liabilities

The following is a summary of long-term liabilities activity for the fiscal year ended June 30, 2015:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Current
Governmental activities:					
Loans payable	$ 105,867	$ -	$ (27,591)	$ 78,276	$ 28,315
Compensated absences	224,769	154,050		378,819	
Governmental activity Long-term liabilities	$ 330,636	$ 154,050	$ (27,591)	$ 457,095	$ 28,315
Business-type activities:					
Loan payable	$ 115,158	$ -	$ (80,578)	$ 34,580	$ 17,014
Notes payable	1,635,920	8,939,000	(422,250)	10,152,670	582,097
Compensated absences	99,739	41,553		141,292	
Business-type activity Long-term liabilities	$ 1,850,817	$ 8,980,553	$ (502,828)	$ 10,328,542	$ 599,111

NOTE 6: DEFINED BENEFIT PENSION PLAN

A. General Information about the Pension Plans

Plan Descriptions - All qualified regular and introductory employees of the District participate in a cost-sharing multiple employer defined benefit pension plans, administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. New members employed after January1, 2013 are designated as PEPRA Miscellaneous and are subject to the provisions of California Government Code 7522 et seq. and AB 197. All other members employed prior to January1, 2013 are designated as Miscellaneous First Tier Plan or Miscellaneous Second Tier Plan.

Contributions - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2014, depending on the plan, the active employee contribution rate ranges between 6.88% and 8.986% of annual pay, and the employer's contribution rate ranges between 8.049% and 30.492% of annual payroll.

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

As of June 30, 2015, the District reported net pension liabilities of $3,856,693 for its proportionate shares of the net pension liability of the Plan.

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 is measured as of June 30, 2014, 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, 2013 rolled forward to June 30, 2014 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2013 and June 30, 2014 was as follows:

		Amount
Proportion – June 30, 2013	$	4,948,926
Proportion – June 30, 2014	$	3,856,693

For the year ended June 30, 2015, the District recognized pension expense of $743,022. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Deferred Outflows for Resources		Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$	0	$	0
Differences between actual and expected experience		0		1,039,994
Change in employer's proportion and differences between the employer's contributions and employer's proportionate share of contributions		22,261		71,752
Total	$	22,261	$	1,111,746

The $22,261 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30		Deferred Outflows/(Inflows) for Resources
2016	$	(277,673)
2017		(277,673)
2018		(274,139)
2019		(260,000)
2020		(0)

C. Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. Both the June 30, 2013 total pension liability and the June 30, 2014 total pension liability were based on the following actuarial assumptions:

Actuarial Cost Method:	Entry Age Normal in accordance with the requirements of GASB Statement #68
Actuarial Assumptions:	
Discount Rate	7.5%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.5% Net of Pension Plan Investment and Administration Expenses; Includes Inflation
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, 2013 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates.

D. Discount Rate

The discount rate used to measure the total pension liability was 7.50%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	New Strategic Allocation	Real Return Years 1- 10 (a)	Real Return Years 11+ (b)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100%		

(a) An expected inflation of 2.5% used for this period.
(b) An expected inflation of 3.0% used for this period.

E. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 7.5%, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.5% or 1% point higher (8.5%) than the current rate

	Discount Rate 1% (6.5%)	**Current Discount Rate (7.5%)**	**Discount Rate 1% (8.5%)**
Plans' Net Pension Liability/(Asset)	$ 6,380,962	$ 3,856,693	$ 1,765,175

F. Post-employment Benefits

In addition to pension benefits, the District provides post-retirement health care benefits through the California Public Employees' Retirement System. Employees who retire on or after attaining age 50 and are vested, are eligible for District paid health insurance.

For employees hired prior to October 1, 2012, the District's financial obligation is to pay 85% of the cost of coverage for the eligible retiree and any eligible dependents. For employees hired on or after October 1, 2012, the District's financial obligation is to bay the CALPERS minimum health contribution only.

On July 1, 2015, the District conducted an actuarial valuation based on the Alternative Measurement Method to determine the required funding for this health care benefits program.

The actuarial accrued liability for the District's retiree health benefits program on this measurement date was determined to be $1,227,041. This value is based on a discount rate of 5.5% and an inflation rate of 3.3%. The District's funding policy is to pay current year costs only. Currently 31 retired employees are receiving paid health care benefits totaling $15,207 per month.

Below are the required disclosures for this plan:

Number of active participants		22
Employer's actuarially required contributions	$	242,785
Employer's actual contributions	$	193,758
Actuarial Accrued Liability(AAL)	$	2,417,964
Actuarial Valuation of Assets(AVA)	$	-
Unfunded Actuarial Accrued Liability(UAAL)=(AAL less AVL)	$	2,417,964
Funded Ratio(AVA/AAL)		0%
Estimated Payroll	$	2,401,516
UAAL as a Percentage of Covered Payroll		153%

NOTE 7: PRIOR PERIOD ADJUSTMENT

A total prior period adjustment of $4,948,926 was made to decrease the governmental activities' beginning net position. The adjustment was made to reflect the prior period costs related to the implementation of the net pension liability. The restatement of beginning position is summarized as follows:

Net Position – July 1, 2014	$	39,807,284
Net Pension Liability Adjustment		(4,948,926)
Net Position – July 1, 2014 (Restated)	$	34,558,358

NOTE 8: JOINT POWERS AGENCIES

The Cambria Community Services District participates in a joint venture under a Joint Power Agency (JPA), the Special District Risk Management Authority (SDRMA). The SDRMA was established to provide general liability, workers compensation, automobile, errors and omission, and property loss coverage to special districts. The SDRMA is administered by a Board of Directors, consisting of seven members elected by districts participating. The Board is responsible for establishing premium rates and making budgeting decisions.

Coverage under current policies includes property loss, general liability, auto liability and comprehensive/collision, and public officials' and employees' errors and omissions. Claims over the self-insured amounts are covered by the SDRMA within the limits of the policy. Each member district is assessed a premium in accordance with the JPA agreement creating the agency.

CCSD is also participating in two separate Joint Powers Agreements. The first is an agreement with the City of Morro Bay, the Cayucos Fire District, and the South Bay Fire Department to operate an air fill compressor station for the respective fire departments. CCSD pays their share of the member contributions due on an annual basis, not to exceed $1,000 per year. There is no contingent liability for CCSD at June 30, 2015.

The second is an agreement with the Coast Unified School District (CUSD) to lease property for the operation of the Santa Rosa Creek Well #4, the CUSD water well, pump, and distribution facilities for the purpose of securing the conveying groundwater. CCSD pays CUSD an annual fee for the easement and access to the site operation and maintenance repairs. On November 15, 2012, a new agreement was subsequently negotiated including a new initial annual payment of $34,592. The agreement also provides for an annual adjustment for inflation based on the Consumer Price Index (CPI), with a cap on such increases of 4%. The annual fee for fiscal year ending 2015 was $36,167.

REQUIRED
SUPPLEMENTAL INFORMATION

CAMBRIA COMMUNITY SERVICES DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
Budget and Actual - Governmental Funds
For the Year Ended June 30, 2015

	Budgeted Amounts			Variance With Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
Property taxes and assessments	$ 2,379,030	$ 2,379,030	$ 2,477,587	$ 98,557
Weed abatement	10,000	10,000	15,913	5,913
Franchise fees	72,400	72,400	74,684	2,284
Use of money and property	28,401	28,401	37,130	8,729
Charges for administrative services	1,229,279	1,229,279	1,209,659	(19,620)
Other	4,005	4,005	35,107	31,102
Total revenues	3,723,115	3,723,115	3,850,080	126,965
Expenditures:				
Administration	1,435,565	1,435,565	1,488,549	(52,984)
Fire	1,714,504	1,714,504	1,844,513	(130,009)
Parks and Recreation	7,616	7,616	8,112	(496)
Facilities and Resources	521,896	521,896	596,654	(74,758)
Debt service:				
Principal/interest and other charges	30,332	30,332	30,557	(225)
Capital outlay	13,100	13,100	10,796	2,304
Total expenditures	3,723,013	3,723,013	3,979,181	(256,168)
Net change in fund balance	$ 102	$ 102	(129,101)	$ (129,203)
Fund balance at beginning of year			4,235,362	
Fund balance at end of year			$ 4,106,261	

OTHER REQUIRED
SUPPLEMENTAL INFORMATION

CAMBRIA COMMUNITY SERVICES DISTRICT
OTHER REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULE OF FUNDING PROGRESS
For the Year Ended June 30, 2015

OTHER POST EMPLOYMENT BENEFITS (OPEB) PLAN

The schedule of funding progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability (UAAL) to payroll for the District's OPEB plan.

FUNDED PROGRESS OF THE OPEB PLAN

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) Entry Age	Actuarial Value of Assets	Unfunded Liability (Excess Assets) (UAAL)	Funded Status	Annual Covered Payroll	UAAL as a Percentage of Payroll
7/1/2015	$ 2,417,964	$ -	$ 2,417,964	0%	$ 2,401,516	101%
7/1/2012	$ 3,654,534	$ -	$ 3,654,534	0%	$ 2,202,284	166%
1/1/2010	$ 4,615,089	$ -	$ 4,615,089	0%	$ 2,386,307	193%

CAMBRIA COMMUNITY SERVICES DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN YEARS*
As of June 30, 2015

	June 30, 2014
Proportion of the net pension liability	0.02066%
Proportionate share of the net pension liability	$3,856,693
Covered- employee payroll	$2,097,466
Proportionate Share of the net pension liability as percentage of covered-employee payroll	183.87%
Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	81%
Proportionate Share of Aggregate Employer Contributions	$413,459

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact.

Changes in assumptions: None

* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown. Additional years will be presented as they become available.

CAMBRIA COMMUNITY SERVICES DISTRICT

SCHEDULE OF CONTRIBUTIONS

LAST TEN YEARS*

As of June 30, 2015

	2013 – 2014
Acturially determined contributions	$ 506,637
Contributions in relation to the actuarially determined contributions	(506,637)
Contribution deficiency (excess)	$ -0-
Covered- employee payroll	$ 2,097,466
Contributions as a percentage of covered-employee payroll	24.15%
Notes to Schedule:	
Valuation date:	6/30/2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Asset valuation method	Market value
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.5% net of pension plan investment expense, including inflation

* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown. Additional years will be presented as they become available.