Pursuant to Governor Newsom's Executive Order N-25-20, members of the Finance Standing Committee or staff may participate in this meeting via a teleconference. In the interest of maintaining appropriate social distancing, members of the public may participate in the meeting electronically, or in person at 1000 Main Street Cambria, CA 93428.

CAMBRIA COMMUNITY SERVICES DISTRICT

I, Cindy Steidel, Chairman of the Cambria Community Services District Finance Committee, hereby call a Special Meeting of the Finance Committee pursuant to California Government Code Section 54956. The Special Meeting will be held: **Wednesday, March 18, 2020, 10:00 AM**, **1000 Main Street, Cambria CA 93428.** The purpose of the Special Meeting is to discuss or transact the following business:

AGENDA
SPECIAL MEETING OF THE CAMBRIA COMMUNITY SERVICES DISTRICT FINANCE COMMITTEE
Wednesday, March 18, 2020, 10:00 AM
1000 Main Street, Cambria CA 93428

Copies of the staff reports or other documentation relating to each item of business referred to on the agenda are on file in the Office of the District Clerk, available for public inspection during District business hours. The agenda and agenda packets are also available on the CCSD website at www.cambriacsd.org. The District Office hours are Monday - Thursday, and every other Friday from 9:00 a.m. through 4:00 p.m. Please call 805-927-6223 if you need any assistance. If requested, the agenda and supporting documents shall be made available in alternative formats to persons with a disability. The District Clerk will answer any questions regarding the agenda.

1. OPENING

A. CALL TO ORDER

B. ESTABLISH A QUORUM

C. CHAIRMAN'S REPORT

2. PUBLIC COMMENT

3. REGULAR BUSINESS

A. Discuss and Review Fiscal Year 17/18 Audit and Financial Statements

4. FUTURE AGENDA ITEMS

5. ADJOURN

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REGULAR BUSINESS ITEM 3.A.

DISCUSS AND REVIEW FISCAL YEAR 17/18 AUDIT AND FINANCIAL STATEMENTS **1**

CAMBRIA COMMUNITY SERVICES DISTRICT

TO:	Finance Committee	AGENDA NO. **3.A.**
FROM:	John F Weigold IV, General Manager Pamela Duffield, Finance Manager	

Meeting Date: March 16, 2020 Subject: Discuss and Review Fiscal Year 17/18 Audit and Financial Statements

RECOMMENDATIONS: Staff recommends the Finance Committee discuss and review the Fiscal Year 17/18 Audit & Financial Statements.

DISCUSSION: A draft of the Independent Auditor's Report and Financial Statements for the Year Ended June 30, 2018 the ("Audit Report") is attached for review. Mr. Bruner will be available via phone conference for a summary of the Audit Report and respond to questions and comments from the Finance Committee.

The Audit Report contains the auditor's opinion of the CCSD's financial statements and adequacy of internal controls. The auditor issued an unqualified opinion, which states that as of June 30, 2018, the financial statements present fairly, in all material respects, the financial position of the governmental and business-type activities of the CCSD.

The CCSD implemented the requirements of the Governmental Accounting Standards Board Statement (GASB) No. 34 as of the fiscal year ended June 30, 2004. A component of GASB 34 is a Management Discussion and Analysis (MD&A), which is incorporated in the audit. It is not a required component of the financial statements, but becomes supplemental information required by GASB. While the auditor is not responsible for the MD&A, he does apply certain limited procedures to it.

As shown on page 11 of the Audit Report, the General Fund had revenues of $5,207,118 and expenditures of $5,755,883, resulting in a decrease to the Fund balance of $548,765.

As shown on page 16 of the Audit Report, the Water Fund had total operating and non-operating revenues of $3,376,041 and expenditures of $4,428,211, resulting in a decrease in net assets of $1,052,170. It should be noted that these Water Fund revenues/expenses include both Water Operating, Water SWF Operating and Water SWF Capital funds.

As shown on page 16 of the Audit Report, the Wastewater Fund had total operating and non-operating revenues of $2,095,896 and expenditures of $2,620,759, resulting in a decrease in net assets of $524,863.

As shown on page 3 of the Audit Report, the District had a total of $2,482,557 in cash on hand at June 30, 2018. That cash is distributed to the three funds as shown below:

CCSD FINANCIAL AUDIT JUNE 30, 2018	
FUND	**CASH BALANCE**
GENERAL FUND	$3,411,652
WASTEWATER FUND	($562,234)
WATER FUND	($366,861)
TOTAL	$2,482,557

Inter-Fund Loans due to the General Fund on June 30, 2018 are shown below:

WASTEWATER FUND	$584,229
WATER FUND	$157,726
TOTAL DUE TO GENERAL FUND	$741,955

Attachment: Independent Auditor's Report and Financial Statements for the Year Ended June 30, 2018

CAMBRIA
COMMUNITY SERVICES DISTRICT

Independent Auditor's Report
and
Financial Statements

For the Year Ended
June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To Management of
Cambria Community Services District
Cambria, California

Report on the Financial Statements

I have audited the accompanying consolidated financial statements of the Cambria Community Services District (CCSD), as of and for the year ended June 30, 2018, 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. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Cambria Community Services District as of June 30, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 47, and the Other Post Employment Benefits (OPEB) Plan, Schedule of Funding Progress, Schedule of the District's Proportionate Share of the Net Pension Liability, and Schedule of Contributions, listed on pages 51 through 54, 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 and opinion or provide any assurance.

David D. Bruner, CPA

David D. Bruner, CPA
Merced, California
December 31, 2019

MANAGEMENT’S DISCUSSION AND ANALYSIS

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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, 2018. The Management's Discussion and 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

Governmental Activities

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
- Surface Water Facility

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, 2018, 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, 2018. 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, 2021. 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, 2018. The estimated costs are projected forward through the year 2057. 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 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 Fund.

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 of 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 $11,675 (2.7%) from fiscal year 2016-2017 to fiscal year 2017-2018. It represents 20% of the Fire Department's revenue in the CCSD's fiscal year 2017-2018 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 beginning in 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. In 2015-2016, water sales increase slightly but were still only 62% of sales in fiscal year 2012-2013. The impact of reduced water consumption in fiscal year 2015-2016 was slightly offset by a water and wastewater rate increase implemented on March 1, 2016. The combined effect of reduced water consumption and increased rates resulted in an increase in water sales for fiscal year 2017-2018 of 7% compared to fiscal year 2016-2017.

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.

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 received $4,163,142 from a Proposition 84 Integrated Regional Water Management Grant as part of San Luis Obispo County's DWR submittal to help finance the same project. The grant funds were received on December 17, 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. As of June 30, 2018, interfund transfers from the General Fund to Water Fund total $157,726 and Wastewater Fund total $584,229. 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 increase 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. On March 1, 2016, water and sewer fees were again increased by an average of 24%. On March 1, 2016, increases of 4% in water and sewer rates were also approved for March 1st of 2017, 2018, 2019 and 2020. Rate analysis has continued during 2017-2018 for both water and wastewater capacity fees and water/sustainable water facility/wastewater user fees and charges.

While a hiring freeze imposed by the Board of Directors in 2009 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 Technician (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 the full employee portion to their pensions. Greater cost-sharing for medical insurance is also being paid by management/confidential employees and SEIU employees.

The following table shows the year to year increases and decreases in total salaries and wages:

Fiscal Year	Wages and Salaries	Year-to-Year Increase / (Decrease)
2008-2009	$ 2,566,283	
2009-2010	2,386,305	$ (179,978)
2010-2011**	2,299,794	(86,511)
2011-2012	2,228,801	(70,993)
2012-2013	2,281,216	52,415
2013-2014	2,393,418	112,202
2014-2015	2,285,226	(108,192)
2015-2016	2,199,011	(86,215)
2016-2017	2,866,485	667,474
2017-2018	3,363,441	496,956

***This figure does not include severance pay paid to the previous General Manager*

Retirement is the most expensive employee benefit of the CCSD. The annual pension cost decreased from $646,889 in fiscal year 2016-2017 to $653,985 in fiscal year 2017-2018. 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 investment 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 two 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 CalPERS approved methodology for amortization and smoothing. These are outlined in CalPERS Circular Letter 200-019-013. 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 and 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.

Employee health insurance is the second most expensive employee benefit of the CCSD. The annual employee medical insurance cost increased from $409,588 in fiscal year 2016-2017 to $441,103 in fiscal year 2017-2018. This is an overall increase of $31,515 or 7.6%. Agreements with management/confidential employees and SEIU employees have also provided for increased premium contributions made by employees.

Retiree health insurance is the third most expensive employee benefit of the CCSD. It decreased from $227,671 in fiscal year 2016-2017 to $209,125 in fiscal year 2017-2018. This is an overall increase of $18,546 or 8.1. 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 $133. These changes are expected to result in a great reduction of retiree health insurance costs in the future.

The following table shows the year-to-year increases and decreases in the CCSD's total cash and investments:

June 30,	Total Cash and Investments	Year-to-Year Increase / (Decrease)
2010	$ 4,499,040	
2011**	4,386,277	(112,763)
2012	4,654,815	268,538
2013	4,890,266	235,451
2014	3,877,738	(1,012,528)
2015	2,446,332	(1,431,406)
2016	4,980,787	2,534,455
2017	3,322,139	(1,658,648)
2018	3,756,352	434,213

** *While the balance decreased, 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.*

Personnel costs represent 43% of the CCSD's operating expenditures for fiscal year 2017-2018. 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 following table shows the year-to-increases and decreases in the CCSD's total maintenance and repair costs:

June 30,	Total Maintenance and Repair Costs	Year-to-Year Increase / (Decrease)
2009-2010	$ 380,638	
2010-2011	419,797	39,159
2011-2012	530,902	111,105
2012-2013	798,283	267,381
2013-2014	1,023,755	225,472
2014-2015	627,992	(395,763)
2015-2016	1,009,841	381,849
2016-2017	895,109	(114,732)
2017-2018	917,135	22,026

Despite all of these expenditures, there is still significant deferred maintenance in both the Water and Wastewater Funds.

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 2018-2019 on August 23, 2018. Projected activity for all funds is as follows:

- Water – a surplus of $484,483;
- Sustainable Water Facility Project: a deficit of $677,689 to be funded from Water Fund reserves;
- Wastewater (Sewer) –a deficit of $27,722 to be funded from General Fund Loan, and;
- General Fund (Governmental) –surplus of $43,577

BOARD OF DIRECTORS AND ADMINISTRATION

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BOARD OF DIRECTORS

Name	Position	Term Expires
Amanda Rice	President	December 2020
Jim Bahringer	Vice President	December 2018
Aaron Wharton	Director	December 2018
David Pierson	Director	December 2018
Harry Farmer	Director	December 2020

ADMINISTRATION

Name	Position
Jerry Gruber	General Manager
Tim Carmel	District Counsel

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BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

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	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	$ 3,411,652	$ (929,095)	$ 2,482,557
Receivables:			
Interest receivable	5,685	-	5,685
Taxes	46,774	-	46,774
Other	5,659	974,442	980,101
Inventory	4,756	-	4,756
Prepaid costs	64,501	3,355	67,856
Note receivable	2,021	-	2,021
Loan to enterprise funds	741,955	-	741,955
Intangible - water, master plan, net of amortizatio	-	1,074,195	1,074,195
Capital assets:			
Non-depreciable	14,990,732	8,049,017	23,039,749
Depreciable, net	2,170,571	17,726,710	19,897,281
Total capital assets, net depreciation	17,161,303	25,775,727	42,937,030
Total Assets	$ 21,444,306	$ 26,898,624	$ 48,342,930
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflows related to pensions	$ 1,286,960	$ 362,989	$ 1,649,949
LIABILITIES			
Accounts payable	$ 91,639	$ 62,386	$ 154,025
Accrued expenses	61,375	27,344	88,719
Accrued interest payable	-	71,360	71,360
OPEB liability	-	95,667	95,667
Loan from general fund	-	741,955	741,955
Refundable deposits	9,870	109,712	119,582
Deferred revenue	2,021	-	2,021
Long-term liabilities:			
Net pension liability	4,380,085	1,362,866	5,742,951
Due within one year	128,803	477,124	605,927
Due in more than one year	944,096	8,325,914	9,270,010
Total Liabilities	$ 5,617,889	$ 11,274,328	$ 16,892,217
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	$ (204,987)	$ (57,817)	$ (262,804)
NET POSITION			
Invested in capital assets, net of related debt	$ 16,638,949	$ 17,051,005	$ 33,689,954
Unrestricted (deficit)	679,415	(1,005,903)	(326,488)
Total Net Position	$ 17,318,364	$ 16,045,102	$ 33,363,466

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants
Governmental Activities:			
Administration	$ 2,052,715	$ 2,041,326	$ -
Fire	2,285,823	6,388	207,439
Parks and recreation	46,245	-	-
Facilities and resources	614,424	-	-
Interest on long-term debt	1,356	-	-
Total Governmental Activities	5,000,563	2,047,714	207,439
Business-Type Activities:			
Water	4,687,087	3,267,582	-
Wastewater	2,674,875	2,032,893	-
Total Business-Type Activities	7,361,962	5,300,475	-
Total	$ 12,362,525	$ 7,348,189	$ 207,439

Continued on next page

FUNCTIONS/PROGRAMS	Net (Expense) Revenue and Changes in Net Position Governmental Activities	Business-Type Activities	Total
Governmental Activities:			
Administration	$ (11,389)		$ (11,389)
Fire	(2,071,996)		(2,071,996)
Parks and recreation	(46,245)		(46,245)
Facilities and resources	(614,424)		(614,424)
Interest on long-term debt	(1,356)		(1,356)
Total Governmental Activities	(2,745,410)		(2,745,410)
Business-Type Activities:			
Water		(1,419,505)	(1,419,505)
Wastewater		(641,982)	(641,982)
Total Business-Type Activities		(2,061,487)	(2,061,487)
Total	$ (2,745,410)	$ (2,061,487)	$ (4,806,897)

	Net (Expense) Revenue and Change in Net Position Governmental Activities	Business-Type Activities	Total
General revenues:			
Taxes:			
Property taxes and assessments	$ 2,770,835	$ -	$ 2,770,835
Availability charges	-	290,241	290,241
Connection fees	-	-	-
Franchise fees	85,843	-	85,843
Investment income	47,339	8,488	55,827
Other income	47,948	3,492	51,440
Total general revenues, investment and other income	2,951,965	302,221	3,254,186
Change in Net Position	$ 206,555	$ (1,759,266)	$ (1,552,711)
Net Position - beginning	16,840,565	19,308,209	36,148,774
Prior period adjustment (see Note 8)	271,244	(1,503,841)	(1,232,597)
Net position - ending	$17,318,364	$16,045,102	$33,363,466

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BASIC FINANCIAL STATEMENTS

Fund Financial Statements
Governmental Funds

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	General Fund
ASSETS	
Cash	$ 3,411,652
Inventory	4,756
Receivables:	
Interest	5,685
Taxes	46,774
Other	5,659
Prepaid expenses	64,501
Loans to enterprise funds	741,955
Note receivable	2,021
Total Assets	$ 4,283,003
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable	$ 91,639
Accrued expenses	61,375
Refundable deposits	9,870
Deferred revenue	2,021
Total Liabilities	164,905
FUND BALANCES	
Nonspendable	157,646
Assigned	3,960,452
Total Fund Balances	4,118,098
Total Liabilities and Fund Balances	$ 4,283,003

Total Fund Balances - Governmental Funds	$ 4,118,098
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.	17,161,303
Long-term liabilities and compensated absences have not been included in the governmental funds activity:	
Net pension liabilities	(2,888,138)
Compensated absences	(550,545)
Loans payable	(522,354)
Net Position of Governmental Activities	$ 17,318,364

	General Fund
REVENUES	
Property taxes and assessments	$ 2,770,835
Weed abatement	6,388
Franchise fees	85,843
Intergovernmental	207,439
Use of money and property	47,339
Charges for administrative servies	2,041,326
Miscellaneous	47,948
Other sources:	
Debt proceeds	-
Total Revenues	5,207,118
EXPENDITURES	
Current:	
Administration	2,052,715
Fire	2,254,005
Parks and recreation	46,245
Facilities and resources	614,424
Debt service:	
Principal	22,354
Interest and other charges	1,356
Capital outlay	764,784
Total Expenditures	5,755,883
Net Change in Fund Balances	(548,765)
Prior Period Adjustment	271,244
Fund Balance - Beginning of Year	4,395,619
Fund Balance - End of Year	$ 4,118,098

Net Change in Fund Balances - Total Governmental Funds	$	(548,765)
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.		78,196
Loan proceeds provide current financial resources to governmental funds; however, issuing debt increses long-term liabilities in the statement of net position. In the current period, these amounts are:		
Loans issued		-
Repayment of loans payable		102,033
In he 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).		(43,441)
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 epensed as depreciation expense. In the current period, these amounts are:		
Capital outlay		710,766
Depreciation expense		(92,234)
Combined adjustment for capital outlay and depreciation		618,532
Change in Net Position of Governmental Activities	$	206,555

BASIC FINANCIAL STATEMENTS

Fund Financial Statements
Proprietary Funds

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	Business-Type Activities Enterprise Funds		
	Water Fund	Wastewater Fund	Totals
ASSETS			
Current assets:			
Cash in bank	$ (366,861)	$ (562,234)	$ (929,095)
Accounts receivable (net of allowance)	608,946	365,496	974,442
Inventory	-	-	-
Prepaid expenses	3,355	-	3,355
Total current assets	245,440	(196,738)	48,702
Noncurrent assets:			
Capital assets:			
Construction in progress	5,992,807	234,783	6,227,590
Land	812,416	1,009,011	1,821,427
Plant and facilities	29,558,387	24,188,723	53,747,110
Machinery and equipment	604,703	1,105,283	1,709,986
Less: accumulated depreciation	(16,167,050)	(21,563,336)	(37,730,386)
Total noncurrent assets	20,801,263	4,974,464	25,775,727
Other assets:			
Intangible - water master plan, net $537,095 amortization	1,074,195	-	1,074,195
Total other assets	1,074,195	-	1,074,195
Total Assets	22,120,898	4,777,726	26,898,624
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	206,904	156,085	362,989
LIABILITIES			
Current liabilities:			
Accounts payable	46,651	15,735	62,386
Accrued expensees	15,341	12,003	27,344
Accrued interest payable	65,368	5,992	71,360
OPEB liability	40,191	55,476	95,667
Loan from general fund	157,726	584,229	741,955
Refundable deposits	109,712	-	109,712
Deferred revenue	-	-	-
Current portion of noncurrent liabilities	476,828	118,000	594,828
Total current liabilities	911,817	791,435	1,703,252
Noncurrent liabilities:			
Net pension liability	776,834	586,032	1,362,866
Compensated absences	40,191	38,125	78,316
Note payable, less current portion	7,394,894	735,000	8,129,894
Total noncurrent liabilities	8,211,919	1,359,157	9,571,076
Total Liabilities	9,123,736	2,150,592	11,274,328
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	(32,956)	(24,861)	(57,817)
NET POSITION			
Invested in capital assets, net of related debt	12,929,541	4,121,464	17,051,005
Unrestricted (deficit)	307,481	(1,313,384)	(1,005,903)
Total Net Positiion	$13,237,022	$ 2,808,080	$16,045,102

	Business-Type Activities Enterprise Funds		
	Water Fund	Wastewater Fund	Total
OPERATING REVENUES			
Utility sales	$ 2,221,948	$ 2,032,893	$ 4,254,841
Service charges and fees	1,227,867	-	1,227,867
Intergovernmental - grants	-	-	-
Miscellaneous	718	2,774	3,492
Total Operating Revenues	3,450,533	2,035,667	5,486,200
OPERATING EXPENSES			
Salaries and wages	561,832	453,392	1,015,224
Payroll taxes and benefits	283,125	268,103	551,228
Maintenance and repairs	400,938	312,276	713,214
Office supplies, publications, and dues	33,328	16,439	49,767
Licenses and fees	69,683	83,129	152,812
Rent	38,624	-	38,624
Professional services	218,719	57,282	276,001
Operating supplies	381,470	52,829	434,299
Employee travel and training	10,329	4,552	14,881
Retrofit and rebate program	-	-	-
Utilities	194,224	219,224	413,448
General and administrative overhead	1,006,669	510,446	1,517,115
Amortization	107,419	-	107,419
Depreciation	1,121,851	643,087	1,764,938
Total Operating Expenses	4,428,211	2,620,759	7,048,970
Operating Income (Loss)	(977,678)	(585,092)	(1,562,770)
NON-OPERATING REVENUES (EXPENSES)			
Availability charges	175,896	114,345	290,241
Connection fees	-	-	-
Investment income	8,488	-	8,488
Interest expense	(258,876)	(54,116)	(312,992)
Total Non-Operating Revenues (Expenses)	(74,492)	60,229	(14,263)
Change in net assets	(1,052,170)	(524,863)	(1,577,033)
Net position at beginning of year	15,805,512 `	3,502,697	19,308,209
Prior period adjustment (see Note 8)	(1,516,320)	(169,754)	(1,686,074)
Net position at end of year	$13,237,022	$ 2,808,080	$16,045,102

	Business-Type Activities		
	Water Fund	Wastewater Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from operating revenue	$ 3,399,878	$ 2,018,942	$ 5,418,820
Cash received from local agencies	-	-	-
Payments to suppliers	(2,479,146)	(1,317,677)	(3,796,823)
Payments to employees	(850,839)	(721,495)	(1,572,334)
Net Cash Provided (Used) by Operating Activities	69,893	(20,230)	49,663
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Interfund loans made	-	117,462	117,462
Net Cash Provided (Used) by Noncapital Financing Activities	-	117,462	117,462
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on capital debt	(299,990)	(118,000)	(417,990)
Interest paid on capital debt	(258,876)	(54,116)	(312,992)
Purchase of capital assets	(226,576)	(112,051)	(338,627)
Change in net pension liability	(45,107)	94,584	49,477
Standby availability	175,896	114,345	290,241
Connection fees	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(654,653)	(75,238)	(729,891)
CASH FLOWS FROM INVESTING AND NON-OPERATING ACTIVITIES			
Investment income	8,488	-	8,488
Net Cash Provided (Used) by Investing and Non-Operating Activities	8,488	-	8,488
Net change in cash	(576,272)	21,994	(554,278)
Cash and cash equivalents - beginning	209,411	(584,228)	(374,817)
Cash and cash equivalents - end	$ (366,861)	$ (562,234)	$ (929,095)
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Net operating income (loss)	(977,678)	(585,092)	(1,562,770)
Adjustments to reconcile operating income to net cash used by operating activities:			
Depreciation	1,121,851	643,087	1,764,938
Amortization	107,419	-	107,419
Net changes in assets and liabilities:			-
(Increase) decrease in accounts receivable	(31,055)	(16,725)	(47,780)
(Increase) decrease in inventory	-	-	-
(Increase) decrease in prepaid expenses	636	-	636
Increase (decrease) in accounts payable	22,096	(4,394)	17,702
Increase (decrease) in accrued expenses	(29,659)	(51,760)	(81,419)
Increase (decrease) in accrued interest payable	(74,753)	5,681	(69,072)
Increase (decrease) in refundable deposits	17,894	-	17,894
Increase (decrease) in OPEB liability	(7,931)	-	(7,931)
Increase (decrease) in deferred revenue	(92,740)	-	(92,740)
Increase (decrease) in compensated absences	13,813	(11,027)	2,786
Net Cash Provided (Used) by Operating Activities	$ 69,893	$ (20,230)	$ 49,663

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BASIC FINANCIAL STATEMENTS

Notes to Financial Statements

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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 Government 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 Statement 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

<u>Government-Wide and Fund Financial Statements</u>

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 Statement 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 Statement 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 non-current 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 another 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:** 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 and 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, 2016, 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.

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.

NOTE 1: Reporting Entity and Summary of Significant Accounting Policies *(continued)*

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 balances – 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.

Pensions

For purpose 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/deduction 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.

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, 2018 are summarized as follows:

Primary government	$ 600
Agency funds	1,283,889
Cash and investments with:	
Local Agency Investment Fund (LAIF)	1,198,068
Total Cash and Investments	$ 2,482,557

The California Government Cod 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, 2018, the carrying amounts of the CCSD's cash demand deposits were $1,283,889. The bank's balances were $1,523,007. This difference is due to the normal deposits in transit and outstanding checks. CCSD cash deposits by category as of June 30, 2018, were as follows:

	Category			Bank	Carrying
	1	2	3	Balance	Amount
Bank accounts	$ 1,523,007	$ -	$ -	$ 1,523,007	$ 1,283,889

NOTE 3: Property, Plant and Equipment

Summary of capital assets by major classifications is as follows:

	Balance June 30, 2017	Additions	Obsolete Assets/ Reclassified	Balance June 30, 2018
Governmental Activities				
Non-depreciable capital assets				
Land	$ 14,990,732	$ -	$ -	$ 14,990,732
Construction in progress	335,163	-	(335,163)	-
Total non-depreciable capital assets	15,325,895	-	(335,163)	14,990,732
Depreciable capital assets				
Buildings and improvements	1,753,270	670,393	-	2,423,663
Equipment	2,168,866	424,729	-	2,593,595
Total depreciable capital assets	3,922,136	1,095,122	-	5,017,258
Less accumulated depreciation	(2,687,121)	-	(159,566)	(2,846,687)
Net depreciable capital assets	1,235,015	1,095,122	(159,566)	2,170,571
Net capital assets	$ 16,560,910	$ 1,095,122	$ (494,729)	$ 17,161,303
Business-Type Activities				
Non-depreciable capital assets				
Land	$ 2,274,379	$ -	$ (452,952)	$ 1,821,427
Construction in progress	16,819,875	-	(10,592,285)	6,227,590
Total non-depreciable capital assets	19,094,254	-	(11,045,237)	8,049,017
Depreciable capital assets				
Buildings and facilities	42,716,947	11,030,163	-	53,747,110
Machinery and equipment	1,635,506	74,480	-	1,709,986
Total depreciable capital assets	44,352,453	11,104,643	-	55,457,096
Less accumulated depreciation	(34,611,727)	-	(3,118,659)	(37,730,386)
Net depreciable capital assets	9,740,726	11,104,643	(3,118,659)	17,726,710
Net capital assets	$ 28,834,980	$ 11,104,643	$ (14,163,896)	$ 25,775,727

Depreciation expense for all funds was $1,857,172 for the year ended June 30, 2018.

NOTE 4: Accrued Expenses

Accrued expenses as of June 30, 2018, are summarized as follows:

Salaries payable/payroll taxes/benefits	$	88,719
Interest payable		71,360
Other post employment benefits (OPEB) payable		95,667
Total accrued liabilities		255,746

NOTE 5: Long-Term Debt

Loan Payable – Governmental Activities

On July 1, 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, 2018, the loan payable principal balance outstanding was $522. The loan payable is due July 30, 2018.

On February 26, 2016, the CCSD entered in a loan agreement for $33,157 with Ford Motor Credit Company to purchase a vehicle. The interest rate on the loan is 5.95%. At June 30, 2018, the loan payable principal balance outstanding was $18,265. The loan is due January 26, 2021.

On August 25, 2016, the CCSD entered into a loan agreement with the Municipal Finance Corporation to purchase a fire engine. The interest rate on the loan is 7.16%. At June 30, 2018, the loan payable principal balance outstanding was $503,566. The loan is due May 25, 2022.

On October 5, 2017, the CCSD entered into a loan agreement with Ford Motor Company to purchase a 2017 Ford F-250 for the Water Department. The interest rate on the loan 3.54%. At June 30, 2018, the loan payable principal balance outstanding was $26,902. The loan is due October 5, 2020.

The loan payments are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2019	$ 128,803	$ 12,739	$ 141,542
2020	131,548	9,471	141,019
2021	131,692	6,141	137,833
2022	130,311	3,062	133,373
2023	-	-	-
Total	$ 522,354	$ 31,413	$ 553,767

NOTE 5: Long-Term Debt *(Continued)*

Notes Payable –Business-Type Activities

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, 2018, the note payable principal balance outstanding was $853,000. 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, 2018, the note payable principal balance outstanding was $7,844,819. 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
2019	$ 477,124	$ 355,811	$ 832,935
2020	495,570	335,452	831,022
2021	514,605	314,315	828,920
2022	529,662	292,258	821,920
2023	549,634	269,597	819,231
2024-2028	2,429,952	1,035,883	3,465,835
2029-2033	2,778,339	518,788	3,297,127
2034-2038	949,836	39,303	989,139
Total	$ 8,724,722	$ 3,161,407	$ 11,886,129

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
2019	$ 128,803	$ 12,739	$ 477,124	$ 355,811	$ 974,477
2020	131,548	9,471	495,570	335,452	972,041
2021	131,692	6,141	514,605	314,315	966,753
2022	130,311	3,062	529,662	292,258	955,293
2023	-	-	549,634	269,597	819,231
2024-2028	-	-	2,429,952	1,035,883	3,465,835
2029-2033	-	-	2,778,339	518,788	3,297,127
2034-2038	-	-	949,836	39,303	989,139
Total	$ 522,354	$ 31,413	$ 8,724,722	$ 3,161,407	$ 12,439,896

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, 2017:

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Current
Governmental Activities					
Loans payable	$ 45,513	$ 476,841	$ -	$ 522,354	$ 128,803
Net pension liability	3,983,744	396,341	-	4,380,085	-
Compensated absences	507,104	43,441	-	550,545	-
Long-term liabilities	$ 4,536,361	$ 916,623	$ -	$ 5,452,984	$ 128,803
Business-Type Activities:					
Notes payable	$ 9,142,712	$ -	$ (417,990)	$ 8,724,722	$ 477,124
Net pension liability	1,142,903	219,963	-	1,362,866	-
Compensated absences	75,530	2,786	-	78,316	-
Long-term liabilities	$ 10,361,145	$ 222,749	$ (417,990)	$ 10,165,904	$ 477,124

NOTE 6: Defined Benefit Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (the Plan), administered by the California Public Employees' Retirement System (CalPERS). The Plan's benefit provisions are established by statute. The Plan is included as a pension trust fund in the CalPERS Comprehensive Annual Financial Report, which is available online at www.calpers.ca.gov.

The Plan consists of a miscellaneous pool and a safety pool (referred to as "risk pools), which are comprised of individual employer miscellaneous and safety rate plans, respectively, including those of the Cambria Community Services District. The Cambria Community Services District's employer rate plans in the miscellaneous risk pool include the Miscellaneous plan (Miscellaneous), the PEPRA Miscellaneous plan (PEPRA Misc.) and the Miscellaneous Second Tier plan (2nd Tier Misc.). The Cambria Community Services District's employer rate plans in the safety risk pool include the Safety plan (Safety), the PEPRA Safety Fire plan (PEPRA Fire) and the Safety Fire Second Tier plan (2nd Tier Fire).

NOTE 6: Defined Benefit Pension Plan *(Continued)*

Benefits Provided

The Plan 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. Classic members and PEPRA Safety members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. PEPRA Miscellaneous members with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The death benefit is the Basic Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

Employer Rate Plans in the Safety Risk Pool

Employer Rate Plan	Miscellaneous	PEPRA Misc.	2nd Tier Misc.
Hire date	Prior to December 28, 2012	On or after January 1, 2013	On or after December 28, 2012
Benefit formula	3.0% @ 50	2.7% @ 57	3.0% @ 55
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50	50	50
Monthly benefits, as % of eligible compensation	3.0%	2.0% to 2.7%	2.4% to 3.0%
Required employee contribution rates	8.988%	11.5%	0.00%
Required employer contribution rates	19.723%	11.990%	0.00%

Employer Rate Plans in the Miscellaneous Risk Pool

Employer Rate Plan	Miscellaneous	PEPRA Misc.	2nd Tier Misc.
Hire date	Prior to October 1, 2012	On or after January 1, 2013	On or after October 1, 2012
Benefit formula	3.0% @ 60	2.0% @ 62	2.0% @ 60
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50	52	50
Monthly benefits, as % of eligible compensation	2.0% to 3.0%	1.0% to 2.5%	1.092% to 2.418%
Required employee contribution rates	7.771%	6.25%	6.9%
Required employer contribution rates	12.698%	6.533%	7.2%

NOTE 6: Defined Benefit Pension Plan *(Continued)*

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 CalPERS actuary and shall be effective on the July 1 following notice of a change in the rate. Contribution rates for the employer rate plans are determined through the CalPERS' annual actuarial valuation process. Each employer rate plan's actuarially determined rate is based on the estimated amount necessary to pay the employer rate plan's allocated share of the cost of benefits earned by employees during the year, and any unfunded accrued liability. The Cambria Community Services District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The Cambria Community Services District's contributions to the risk pools in the Plan for the year ended June 30, 2018, were as follows:

	Contributions
Miscellaneous Risk Pool	$ 351,142
Safety Risk Pool	201,526
Total contributions	$ 552,668

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

As of June 30, 2018, Cambria Community Services District reported net pension liabilities for its proportionate shares of the net pension liability of each risk pool as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous Risk Pool	$ 4,380,085
Safety Risk Pool	1,362,866
Total contributions	$ 5,742,951

* The proportionate share of the total NPL to each of the enterprise and internal service funds is not being allocated because it is deemed to have an immamterial effect on the financial statements.

NOTE 6: Defined Benefit Pension Plan *(Continued)*

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions *(Continued)*

The Cambria Community Services District's net pension liability for each risk pool is measured as the proportionate share of each risk pool's net pension liability. GASB 68 indicates that to the extent different contribution rates are assessed based on separate relationships that constitute the collective net pension liability, the determination of the employer's proportionate share of the collective net pension liability should be made in a manner that reflects those relationships. The allocation method used by CalPERS to determine each employer's proportionate share reflects those relationships through the employer rate plans they sponsor within the respective risk pools. An actuarial measurement of the employer's rate plan liability and asset-related information are used where available, and proportional allocations of individual employer rate plan amounts as of the valuation dates are used where not available.

The Cambria Community Service District's proportionate share of the net pension liability as of June 30, 2016, the valuation date, was calculated as follows:

In determining an employer's proportionate share, the employer rate plans included in the Plan were assigned to either the Miscellaneous or Safety risk pool. Estimates of the total pension liability and the fiduciary net position were first determined for the individual rate plans and each risk pool as of the valuation date, June 30, 2016. Each employer rate plan's fiduciary net position was subtracted from its total pension liability to obtain its net pension liability as of the valuation date. The Cambria Community Services District's proportionate share percentage for each risk pool at the valuation date was calculated by dividing the Cambria Community Services District's net pension liability for each of its employer rate plans within each risk pool by the net pension liability of the respective risk pool as of the valuation date.

The Cambria Community Service District's proportionate share of the net pension liability as of June 30, 2017, the measurement date, was calculated as follows:

> Each risk pool's total pension liability was computed at the measurement date, June 30, 2017, by applying standard actuarial roll-forward methods to the total pension liability amounts as of the valuation date. The fiduciary net position for each risk pool at the measurement date was determined by CalPERS' Financial Office. The net pension liability for each risk pool at June 30, 2017, was computed by subtracting the respective risk pool's fiduciary net position from its total pension liability.
>
> The individual employer risk pool's proportionate share percentage of the total pension liability and fiduciary net position as of June 30, 2017, was calculated by applying Cambria Community Services District's proportionate share percentage as of the valuation date (described above) to the respective risk pool's total pension liability and fiduciary net position as of June 30, 2017, to obtain the total pension liability and fiduciary net position as of June 30, 2017. The fiduciary net position was then subtracted from the total pension liability to obtain the net pension liability as of the measurement date.

NOTE 6: Defined Benefit Pension Plan *(Continued)*

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions *(Continued)*

The Cambria Community Services District's proportionate share percentage of the total pension liability and fiduciary net position as of June 30, 2016, and June 30, 2017, was as follows:

	Miscellaneous Risk Pool	**Safety Risk Pool**
Proportion at measurement date - June 30, 2016	0.114677%	0.022067%
Proportion at measurement date - June 30, 2017	0.111112%	0.022809%
Change - increase (decrease)	(0.003565)%	0.000742%

For the year ended June 30, 2018, the Cambria Community Services District recognized pension expense of $911,790. At June 30, 2018, the Cambria Community Services District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between Expected and Actual Experience	$ 121,148	$ (77,084)
Changes of Assumptions	910,088	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	(98,311)
Adjustment due to Differences in Proportions	483	(87,409)
Difference between Actual and Required Contributions	65,562	-
Contributions after Measurement Date	552,668	-
Total	$ 1,649,949	$ (262,804)

NOTE 6: Defined Benefit Pension Plan *(Continued)*

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions *(Continued)*

Amounts other than contributions subsequent to the measurement date reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Date June 30:	Deferred Outflows/(Inflows) of Resources
2018	$ 224,490
2019	387,383
2020	341,812
2021	(119,208)
2022	-
Thereafter	-
Total	$ 834,477

NOTE 6: Defined Benefit Pension Plan *(Continued)*

Actuarial Assumptions

The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous	Safety
Valuation Date	June 30, 2016	June 30, 2016
Measurement Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.75%	2.75%
Payroll Growth	3.00%	3.00%
Projected Salary Increase (1)	Varies by Age & Length of Service	Varies by Age & Length of Service
Investment Rate of Return (2)	7.00%	7.00%
Mortality Rate Table (3)	Derived Using CalPERS' Membership Data for all Funds	Derived Using CalPERS' Membership Data for all Funds

(1) Depending on age, service and type of employment

(2) Net of Pension Plan Investment and Administrative Expenses; includes inflation

(3) The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2014 experience study report (based on CalPERS demographic data from 1997 to 2011) avaiable online at https://www.calpers.ca.gov/docs/forms-publications/calpers-experience-study-2014.pdf

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested employer rate plans within the Plan 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 employer rate plans run out of assets. Therefore, the current 7.15% discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report, *GASB Statements 67 and 68 Crossover Testing Report for Measurement Date June 30, 2017 based on June 30, 2016 Valuations,* that can be obtained from the CalPERS website.

NOTE 6: Defined Benefit Pension Plan *(Continued)*

Discount Rate

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. For the CalPERS Plan, the 7.00% 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 7.15%. Using the 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.

In December 2016 and April 2017 meetings, the Board voted to lower the funding discount rates used for the PERF. In making its decision, the Board reviewed recommendations from CalPERS team members, external pension and investment consultants, and input from employer and employee stakeholder groups. A lowered funding discount rate for the PERF will be phased in over a three-year period beginning July 1, 2018 for public agencies and school districts.

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. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan's assets classes, expected compound (geometric) returns were calculated over the short-term (first 11 years) and the long-term (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 the Plan. 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.

NOTE 6: Defined Benefit Pension Plan *(Continued)*

Discount Rate *(Continued)*

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 geometric 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	47.0%	4.9%	5.38%
Global Fixed Income	19.0%	0.8%	2.27%
Inflation Sensitive	6.0%	0.6%	1.39%
Private Equity	12.0%	6.6%	6.63%
Real Estate	11.0%	2.8%	5.21%
Infrastructure and Forestland	3.0%	3.9%	5.36%
Liquidity	2.0%	-0.4%	-0.90%

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

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

Sensitivity of the Cambria Community Services District's Proportionate Share of Net Pension Liability to Changes in the Discount Rate

The following presents the Cambria Community Services District's proportionate share of the net position liability of each risk pool as of the measurement date, calculated using the discount rate, as well as what the Cambria Community Services District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	Discount Rate -1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate +1% (8.65%)
Cambria Community Services District's proportionate share of the Miscellaneous Risk Pool's net pension liability	$ 6,568,792	$ 4,380,085	$ 2,567,359
Cambria Community Services District's proportionate share of the Safety Risk Pool's net pension liability	$ 2,175,867	$ 1,362,866	$ 698,278
Total	$ 8,744,659	$ 5,742,951	$ 3,265,637

NOTE 6: Defined Benefit Pension Plan *(Continued)*

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 the 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 pay the CalPERS minimum health contribution only.

On July 1, 2018, 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 $3,859,347. This valuation 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 32 retired employees are receiving paid health care benefits totaling $13,991 per month.

Below are the require disclosures for this plan:

	Amount
Number of active participants	32
Employer's actuarially required contributions	$ 177,000
Employer's actual contributions	$ 177,000
Actuarial Accrued Liability (AAL)	$ 3,859,347
Actuarial Valuation of Assets (AVA)	$ -
Unfunded Actuarial Accrued Liability (UAAL)=(AAL less AVL)	$ 3,859,347
Funded Ratio (AVA/AAL)	0%
Estimated Payroll	$ 1,448,942
UAAL as a Percentage of Covered Payroll	266%

NOTE 7: 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 Cambria Community Healthcare District to share the cost of providing fuel for vehicles owned and operated by both parties, and to share the cost to operate fuel facilities, which include fuel storage tanks, hoses, card reader systems and related equipment located at the Cambria Fire Station, 2850 Burton Drive, Cambria. There is no contingent liability for CCSD at June 30, 2018.

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 2018 was $36,728.

NOTE 8: Prior Period Adjustment

Prior period adjustment relates to the fixed assets and equity accounts from the prior year.

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

Management of Cambria Community Services District
Cambria, California

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Cambria Community Services District (CCSD), as of and for the year ended June 30, 2018, which collectively comprise the CCSD's basic financial statements and have issued my report thereon dated December 31, 2019. 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.

<u>Internal Control Over Financial Reporting</u>

In planning and performing my audit, I considered the CCSD's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CCSD's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the CCSD's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

David D. Bruner, CPA

David D. Bruner, CPA
Merced, California
December 31, 2019

REQUIRED SUPPLEMENTAL INFORMATION

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	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Orignial	Final	Actual	
REVENUES				
Property taxes and assessments	$ 2,828,513	$ 2,828,513	$ 2,770,835	$ (57,678)
Weed abatement	10,000	10,000	6,388	(3,612)
Franchise fees	79,640	79,640	85,843	6,203
Intergovernmental	193,040	193,040	207,439	14,399
Use of money and property	43,884	43,884	47,339	3,455
Charges for administrative servies	1,843,961	1,843,961	2,041,326	197,365
Miscellaneous	230,087	230,087	47,948	(182,139)
Other sources:				
Debt proceeds	-	-	-	-
Total Revenues	5,229,125	5,229,125	5,207,118	(22,007)
EXPENDITURES				
Current:				
Administration	1,730,929	1,730,929	2,052,715	321,786
Fire	2,218,386	2,218,386	2,254,005	35,619
Parks and recreation	60,670	60,670	46,245	(14,425)
Facilities and resources	624,196	624,196	614,424	(9,772)
Debt service:				-
Principal	167,295	167,295	22,354	(144,941)
Interest and other charges	1,617	1,617	1,356	(261)
Capital outlay	426,032	426,032	764,784	338,752
Total Expenditures	5,229,125	5,229,125	5,755,883	526,758
Net Change in Fund Balances	$ -	$ -	(548,765)	$ (548,765)
Fund Balance - Beginning of Year			4,395,619	
Prior Period Adjustment			271,244	
Fund Balance - End of Year			$ 4,118,098	

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OTHER REQUIRED SUPPLEMENTAL INFORMATION

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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
7/1/2018	$ 3,859,347	$ -	$ 3,859,347	0%	$ 1,448,942	266%
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%

LAST TEN YEARS*

Miscellaneous Plan	Measurement Date June 30, 2014	Measurement Date June 30, 2015	Measurement Date June 30, 2016	Measurement Date June 30, 2017
Plan's Proportion of the PERF C Net Pension Liability/(Asset)	[Unknown]	0.047604%	0.046038%	0.044166%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	[Unknown]	$ 3,267,529	$ 3,983,744	$ 4,380,085
Plan's Covered-Employee Payroll**	$ 1,371,718	$ 1,227,092	$ 1,400,582	$ 1,443,167
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	[Unknown]	266.28%	284.43%	303.51%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	[Unknown]	78.34%	73.96%	72.47%

Safety Plan	Measurement Date June 30, 2014	Measurement Date June 30, 2015	Measurement Date June 30, 2016	Measurement Date June 30, 2017
Plan's Proportion of the PERF C Net Pension Liability/(Asset)	[Unknown]	0.013392%	0.013208%	0.013742%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	[Unknown]	$ 919,244	$ 1,142,903	$ 1,362,866
Plan's Covered-Employee Payroll**	$ 725,748	$ 751,908	$ 722,016	$ 624,034
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	[Unknown]	122.25%	158.29%	218.40%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	[Unknown]	79.30%	76.29%	76.55%

Total	Measurement Date June 30, 2014	Measurement Date June 30, 2015	Measurement Date June 30, 2016	Measurement Date June 30, 2017
Plan's Proportion of the PERF C Net Pension Liability/(Asset)	[Unknown]	0.060997%	0.059246%	0.057908%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	[Unknown]	$ 4,186,773	$ 5,126,647	$ 5,742,951
Plan's Covered-Employee Payroll**	$ 2,097,466	$ 1,979,000	$ 2,122,598	$ 2,067,201
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	[Unknown]	211.56%	241.53%	277.81%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	[Unknown]	78.56%	74.52%	73.56%

See notes to schedule on next page

Notes to Schedule:

Changes of benefit terms – There were no changes to benefit terms that applied to all members of the Public Agency Pool.

Changes in assumptions – In 2017, the accounting discount rate was reduced from 7.65% to 7.15%.

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

** Valuation year payroll increased by assumed 3% increase.

LAST TEN YEARS*

Miscellaneous Plan	CalPERS Fiscal Year 2014-15	CalPERS Fiscal Year 2015-16	CalPERS Fiscal Year 2016-17	CalPERS Fiscal Year 2017-18
Actuarially Determined Contributions	$ 276,908	$ 435,021	$ 483,948	$ 351,143
Actual Contributions During the Measurement Period	$ (276,908)	$ (435,021)	$ (483,948)	$ (351,143)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Employee Payroll	$ 1,227,092	$ 1,400,582	$ 1,443,167	$ 1,686,446
Contributions as a Percentage of Covered-Employee Payroll	22.57%	31.06%	33.53%	20.82%

Safety Plan	CalPERS Fiscal Year 2014-15	CalPERS Fiscal Year 2015-16	CalPERS Fiscal Year 2016-17	CalPERS Fiscal Year 2017-18
Actuarially Determined Contributions	$ 210,052	$ 139,824	$ 178,345	$ 201,526
Actual Contributions During the Measurement Period	$ (210,052)	$ (139,824)	$ (178,345)	$ (201,526)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Employee Payroll	$ 751,908	$ 722,016	$ 624,034	$ 824,453
Contributions as a Percentage of Covered-Employee Payroll	27.94%	19.37%	28.58%	24.44%

Total	CalPERS Fiscal Year 2014-15	CalPERS Fiscal Year 2015-16	CalPERS Fiscal Year 2016-17	CalPERS Fiscal Year 2017-18
Actuarially Determined Contributions	$ 486,960	$ 574,845	$ 662,293	$ 552,669
Actual Contributions During the Measurement Period	$ (486,960)	$ (574,845)	$ (662,293)	$ (552,669)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Employee Payroll	$ 1,979,000	$ 2,122,598	$ 2,067,201	$ 2,510,899
Contributions as a Percentage of Covered-Employee Payroll	24.61%	27.08%	32.04%	22.01%

Notes to Schedule:				
Contribution Valuation Date:	June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015

* Fiscal Year 2015 was the first year of implementation, therefore only 4 years are shown.