

EXECUTIVE OFFICER'S REPORT

To The *Local Agency Formation Commission*

TO:

Commissioner **MARIA NAVA-FROELICH** [City] Commissioner **MICHAEL KELLEY**(Chair) [Supervisor]
Commissioner **JASON JACKSON** [City] Commissioner **RAY CASTILLO** [Supervisor]
Commissioner **DAVID WEST** (Vice-Chair) [Public]

Alt Commissioner **JACK TERRAZAS** [Supervisor]
Alt Commissioner **JIM PREDMORE** [City]
Alt Commissioner **RALPH MENVIELLE** [Public]

REPORT DATE: May 1, 2016

FROM: Jurg Heuberger, AICP, CEP, Executive Officer 

PROJECT: Salton Community Service District (SCSD) Sphere of Influence (SOI) update and Service Area Plan (SAP)/Municipal Services Review (MSR)

HEARING DATE: May 26, 2016 **TIME:** 8:55 AM

AGENDA ITEM NO: 14

HEARING LOCATION: El Centro City Council Chambers, 1275 Main Street, El Centro, CA

RECOMMENDATION(S) BY THE EXECUTIVE OFFICER (In Summary & Order)

- OPTION #1:** Approve the proposed Sphere of Influence (SOI) and the Service Area Plan/MSR update as presented by the Executive Officer.
- OPTION #2:** Approve the proposed Sphere of Influence (SOI) and Service Area Plan/MSR update as requested with modifications, following the hearing by the Commission.
- OPTION # 3:** Continue the hearing for not to exceed 70 days, (end date August 15, 2016).
- OPTION # 4:** Deny the Sphere of Influence and Service Area Plan update, and provide direction to the District and EO for corrections.

Project Data:

DATA & FACTS:

Project ID	SCSD 1-16
Project Name:	Salton Community Service District Sphere of Influence and Service Area Plan Update (SAP)/MSR
Applicant/Proponent:	Salton Community Service District
Application Type:	LAFCO requested update
Application Filed:	N/A (LAFCO Direction)
Certificate of Filing:	N/A
Area/Size:	See Plan
Location/Legal:	Maps of the District Boundary and the SOI are included in this report.
Population:	NA
Proposed Project:	Service Area Plan (SAP) / Municipal Services Review (MSR) Update.
MSR/SAP:	The most recent version of the Salton Community Service District MSR/SAP is 2006.

TAX AGREEMENT:

Board of Supervisors Action:	N/A
City Resolution:	N/A (will be required upon notification by LAFCO)
Tax Split:	N/A

CEQA:

Lead Agency:	LAFCO
Documentation:	Exempt

ANALYSIS

I: Legal Requirements (Historical information):

Cortese-Knox-Hertzberg Reorganization Act of 2000 (CKH), also referred to as Government Code 56000 et Seq., provides the legal basis for the requirement of the Sphere of Influence and the Service Area Plan or Municipal service Review (MSR) being considered within the scope of this hearing.

G.C. § 56425 (a) states in part; *“In order to carry out its purposes and responsibilities for planning and shaping the logical and orderly development and coordination of local governmental agencies so as to advantageously provide for the present and future needs of the county and its communities, the commission shall develop and determine the sphere of influence of each local governmental agency with the county and enact policies designed to promote the logical and orderly development of areas within the sphere.”*

G.C. § 56425 (b - i) provide the frame work within which the Commission may approve the sphere of influence and the process that needs to be followed.

G.C. § 56425 (e) states in part; *“In determining the sphere of influence of each local agency, the commission shall consider and prepare a written statement of its determination with respect to each of the following:*

- (1) *The present and planned land uses in the area.*
- (2) *The present and probable need for public facilities and services in the area.*
- (3) *The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.*
- (4) *The existence of any social or economic communities’ of interest in the area if the commission determines that they are relevant to the agency.*

G.C. § 56425 (f) is a critical new section that changed the parameters of the prior review insofar that this section now requires that; *“ Upon determination of a sphere of influence, the commission shall adopt that sphere, and shall review and update, as necessary, the adopted sphere not less than once every five years”.*

There appears to be a misconception that the agencies will have to prepare a full new plan every five years, however the intent here is to “review” the prior plan and to amend it if necessary. If there have been significant changes, or if there has been explosive growth, then certainly the amendment will be much more comprehensive.

G.C. § 56428 (a) provides the mechanism for anyone to file a request with the executive officer for an amendment to the sphere of influence. It states in part; *“Any person or local agency may file a written request with the Executive Officer requesting amendments to a sphere of influence or urban service area adopted by the commission...”*

Again there may be some confusion in this area as there have been numerous questions about the “limitations” of the sphere and the process to amend.

It appears clear that the mandate is to review the plan at least every five years but there is no apparent restriction on the number of times that it may be amended nor is there a restriction on who can request such an amendment, there is only a process that needs to be followed. It goes without saying however that for an amendment to work it need the consensus of the City/District, the County and the Commission.

Just as there are provisions for the addition of areas to a sphere of influence there are provisions for a process to remove an area from an approved sphere boundary. This is found in G.C. 56429.

In addition to the SOI process G.C. § 56430 (a - d) now addresses the requirement for the review of municipal services which in our case has been referred to for nearly a decade as the Service Area Plan (SAP).

G.C. § 56430 (a) states; *“In order to prepare and to update spheres of influence in accordance with Section 56425, the Commission shall conduct a service review of the municipal services provide in the county or other appropriate area designated by the commission. The commission shall include in the area designated for service review the county, the region, the sub region, or any other geographic area as its appropriate for an analysis of the service or service to be reviewed and shall prepare a written statement of its determination with respect to each of the following:*

- 1) *Infrastructure needs or deficiencies.*
- 2) *Growth and population projections for the affected area.*
- 3) *Financing constraints and opportunities.*
- 4) *Cost avoidance opportunities.*
- 5) *Opportunities for rate restructuring.*
- 6) *Opportunities for shared facilities*
- 7) *Governmental structure options, including advantages and disadvantages of consolidation or reorganization of service providers.*
- 8) *Evaluation of management efficiencies*
- 9) *Local accountability and governance.”*

G.C. § 56430 (d) also required that the Office of Planning and Research of the State, in consultation with the commissions, and the California Association of LAFCO's and other governmental agencies, SHALL prepare a comprehensive set of guidelines for service reviews by July 1, 2001. Since these guidelines are voluminous a full text copy is not attached to the report however there is a PDF copy on the CD rom that has been provided to each commissioner and every interested party. Furthermore, the Executive Officer has urged the various entities to utilize the “draft final” version as a guide to preparing the SOI and SAP.

II: The PLAN as submitted:

The District is a Community Service District that provides specific services to a very small area within Imperial County, primarily the Salton City side of the sea. The review in this case as is/was the case in a number of other smaller districts pursuant to the direction of LAFCO focused primarily on the financial viability of the District. Insofar as this is a limited purpose District the services provided appear to be and have been provided adequately for the most part. The financials for the District as per the attached also show that it is financially stable.

III: District Approvals:

The District will need to accept the LAFCO approval of the SOI/MSR/SAP via a resolution to include any and all recommendations.

IV: CEQA:

It is argued and it is the Executive Officers opinion that the Service Area Plan fit within one or more “exemptions” under the provisions of CEQA, not the least of which is the possible determination that this process is “not a project”.

V: Analysis by the Executive Officer / Determinations by the COMMISSION:

G.C. § 56425 (e) states in part; *"In determining the sphere of influence of each local agency, the Commission shall consider and prepare a written statement of its determination with respect to each of the following:*

- (1) The present and planned land uses in the area.*
- (2) The present and probable need for public facilities and services in the area.*
- (3) The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.*
- (4) The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.*

Proposed findings by the Commission:

- 1) The present land use within the boundaries of the proposed SOI/SAP includes residential, some commercial but little or no industrial. The District provides limited service, which are identified below.**
- 2) Currently the services provided are according to the audited financial information being supplied in a financially stable and adequate manner. (See audited financial information attached).**
- 3) There are no known social or economic communities of interest relevant to this review.**

VI: Public Notice:

Public notice for the proposed project hearing before the Imperial County Local Agency Formation Commission has been given, according to Section § 56427. Notice was issued in the form of a publication in the IV Press at least twenty-one (21) days prior to said hearing, and posted on our webpage.

VII: Report:

In accordance with Section § 56665, the Executive Officer has prepared a report, and presented said report to your Commission and to any public member requesting such report. In addition, a copy of said report has been issued to the Salton Community Service District and any party requesting a copy.

VIII: Conflict of Interest Statement:

To date (at the writing of this report, May 1, 2016) no Commissioner has indicated that there is any conflict of interest with regard to this project, nor has any Commissioner reported any communications with the Applicant, Proponent or Opponent. The Commissioners will be asked to declare that during and prior to the public hearing.

The Executive Officer does not have any type of known conflict of interest or financial gain as a result of this project and owns no property in the vicinity.

EXECUTIVE OFFICERS RECOMMENDATION

RECOMMENDATION:

It is the recommendation of the Executive Officer that LAFCO conduct a public hearing and consider all information presented in both written and oral form. The Executive Officer then recommends, assuming no significant public input warrants to the contrary, that LAFCO take the following action;

- I: Certify that the Service Area Plan is exempt from CEQA.
- II: Make the finding that this Sphere of Influence and Service Area Plan (SAP)/ Municipal Service Review (MSR) is in substantial compliance with the provisions of the Cortese-Knox-Hertzberg Reorganization Act of 2000 and the Imperial LAFCO Policy and Procedures.
- III: Make the findings pursuant to Government Code Section § 56425 that:
 - a. The Service Area Plan has been reviewed by the Executive Officer and the Commission and the District has the capacity and ability to provide services within the area.
 - b. The Service Area Plan for the District shows it to be operating its service in a financially sound manner.
 - c. The Sphere of Influence currently adopted remains adequate for the District and no annexations or changes to the boundary have occurred since the prior SAP review.
- IV: The Commission finds that, the present land uses within the boundaries of the District are urban and the services are strictly for providing limited services, currently authorized to be provided are, wastewater collection/treatment; fire protection; recreation/facilities; solid waste collection; lighting/landscaping & emergency medical services.

The Commission finds that, there are no known social or economic communities of interest in the areas.
- V: Since there have been no protests received, the Commission adopts and approves the current Sphere of Influence Boundary as previously reviewed and approved.

LAFCO Policy:

The proposed Sphere of Influence and Service Area Plan appears to be consistent with the Cortese-Knox-Hertzberg Reorganization Act of 2000, the Imperial LAFCO Policies and Procedures and the County of Imperial General Plan (Chapter IV. B. of LAFCO's Policies, Standards and Procedures). Furthermore, the District has (according to the Service Area Plan) the ability to supply the necessary public service, and has assured LAFCO that it has the capacity to service the areas.

NOTE: All "cc" submittals are the Executive Officer's Report only. Attachments are generally too voluminous and are only supplied on CD. Information about the project may also be found on the LAFCO web page at www.iclafco.com.

CC Salton Community Service District

ATTACHMENTS:

EXHIBIT A – Audited Financial Information
EXHIBIT B – Current Sphere of Influence Boundary Map

EXHIBIT A

SALTON COMMUNITY SERVICES DISTRICT

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

AS OF AND
FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

RECEIVED

FEB 16 2016

Imperial County
Local Agency Formation Commission



George J. Woo
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Salton Community Services District
Salton City, California

I have audited the accompanying financial statements of the Salton Community Services District (the "District") as of June 30, 2014 and the related notes to the financial statements, which collectively comprise the financial statements.

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 the audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's minimum audit requirements for California Special District. 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

- I was unable to examine supporting documentation for capital assets, because such records were not maintained by the District, nor was I able to satisfy myself as to the value of these capital assets by other auditing procedures.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Salton Community Services District as of June 30, 2014, and the

changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

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 3 through 9 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 my 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 me with sufficient evidence to express an opinion or provide any assurance.

In accordance with Government Auditing Standards, I have also issued my report dated January 13, 2015, on my consideration of the Salton Community Service District internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the financial statements as a whole. The supplementary schedules on pages 39 through 42 are presented for purposes of additional analysis and is not a required part of the financial statements. The information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

January 13, 2015

A handwritten signature in black ink, appearing to read "James J. [unclear]", is written over the date.

SALTON COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

The following section of the annual financial report of the Salton Community Services District (the District) includes an overview and analysis of the District's financial position and activities for the years ended June 30, 2014 and 2013. This discussion and analysis, as well as the basic financial statements which it accompanies, is the responsibility of the management of the District.

Introduction to the Basic Financial Statements

This annual report consists of a series of financial statements, prepared in accordance with generally accepted accounting principles; such report has been designed to improve the usefulness of the report to the primary users of these basic financial statements.

The District presents its basic financial statements using the economic resources measurement to focus and accrual basis of accounting. The Sewer Maintenance fund and the Sewer Construction fund are reported as a Business-Type Activity. The District's basic financial statements include a Statement of Net Assets; a Statement of Revenues, Expenses, a Statement of Changes in Net Assets; and a Statement of Cash Flows. Notes to the basic financial statements and this section support these statements. All sections must be considered together to obtain a complete understanding of the financial position and results of operations of the District.

Statements of Net Assets – The Statements of Net Assets include all assets and liabilities of the District, with the difference between the two reported as net assets. Assets and liabilities are reported at their book value, on an accrual basis, as of June 30, 2014, and 2013. These statements also identify major categories of restrictions on the District's net assets.

Statements of Revenues, Expenses, and Changes in Net Assets – The Statements of Revenues, Expenses, and Changes in Net Assets present the revenues earned and expenses incurred by the District during the years ended June 30, 2014, and 2013, on the accrual basis of accounting.

Statement of Cash Flows – For the District's Business-Type Activity – The Statements of Cash Flows present the changes in the District's cash and investments for the years ended June 30, 2014 and 2013. Such statements are summarized by operating, capital, and noncapital financing and investing activities. The statements of cash flows have been prepared using the direct method of reporting cash flows and, therefore, present gross, rather than net amounts, for each respective year's activities.

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<u>Business – Type Activities</u>		<u>TOTAL</u>	
<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
\$ 18,143,807	\$ 18,130,872	\$ 19,025,496	\$ 18,790,961
<u>1,275,802</u>	<u>1,188,684</u>	<u>2,176,403</u>	<u>2,159,860</u>
<u>19,419,609</u>	<u>19,319,556</u>	<u>21,201,899</u>	<u>20,950,821</u>
703,254	729,353	910,333	729,353
<u>145,068</u>	<u>144,359</u>	<u>223,915</u>	<u>218,063</u>
<u>848,322</u>	<u>873,712</u>	<u>1,134,248</u>	<u>947,416</u>
17,440,553	17,343,117	18,322,242	18,003,206
366,589	304,866	366,589	304,866
<u>764,145</u>	<u>797,861</u>	<u>1,378,820</u>	<u>1,695,333</u>
<u>\$ 18,571,287</u>	<u>\$ 18,445,844</u>	<u>\$ 20,067,651</u>	<u>\$ 20,003,405</u>

SALTON COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

(c) Other Assets

Other assets consist of cash, investments, and accounts receivable.

(d) Long-Term Liabilities

Long-term liabilities in the Governmental-Type activities increased \$ 207,079 due to a new capital lease from a finance company for the purchase of a new fire truck.

(e) Other Liabilities

Other liabilities consists of accounts payable and payroll taxes payable.

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<u>Business - Type Activities</u>		<u>TOTAL</u>	
<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
\$ 1,416,128	\$ 1,320,689	\$ 1,839,022	\$ 1,685,124
15	18	15	24,920
-0-	-0-	174,046	203,372
162	175	1,766	2,205
138,265	5,487	150,431	38,479
-	-	59,631	57,517
<u>1,554,570</u>	<u>1,326,369</u>	<u>2,224,911</u>	<u>2,011,617</u>
376,019	319,740	625,923	595,284
-0-	-0-	168,805	79,607
-0-	-0-	189,736	134,581
-0-	-0-	81,896	80,785
-0-	-0-	31,735	23,958
1,023,361	772,090	1,023,361	772,090
29,747	30,980	39,209	30,980
<u>1,429,127</u>	<u>1,122,810</u>	<u>2,160,665</u>	<u>1,717,285</u>
125,443	203,559	64,246	294,332
<u>18,445,844</u>	<u>18,242,285</u>	<u>20,003,405</u>	<u>19,709,073</u>
<u>\$ 18,571,287</u>	<u>\$ 18,445,844</u>	<u>\$ 20,067,651</u>	<u>\$ 20,003,405</u>

SALTON COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

(a) Operating Revenues

In fiscal year 2014 operating revenues in the Governmental activities increased \$ 14,907 while the Business-Type activities increased \$ 95,439.

(b) Operating Expenses

Operating expenses consists of salaries, administrative expenses and operations and maintenance costs. During the year, operating expenses in the Governmental activities increased \$ 137,063 and increased \$ 306,317 in the Business-Type activities.

(c) Non-operating Revenues and Expenses

Non-operating revenues and expenses consist of interest income, property taxes, grant income and bond interest expense.

Capital Assets and Debt Administration

(a) Capital Assets

Net capital assets is comprised of the sewer system, land and buildings. Equipment consists of vehicles, tools and equipment, office furniture, and computer equipment.

(b) Long-Term Debt

See Note 7 of notes to financial statements for more detailed information regarding the District's long-term debt.

Request for Information

This financial report is designed to provide a general overview of the Salton Community Services District's finances for all those with an interest in the district's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Officer, Salton Community Services District, 1209 Van Buren Ave. Suite 1, P.O. Box 5268, Salton City, California, 92275-5268.

FINANCIAL STATEMENTS

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Business-Type Activities	Total
\$ 907,202	\$ 1,770,974
6,509	9,813
-0-	2,430
3,310	10,858
15,739	15,739
366,589	366,589
(23,547)	-0-
<u>18,143,807</u>	<u>19,025,496</u>
<u>\$ 19,419,609</u>	<u>\$ 21,201,899</u>

\$ 77,879	\$ 105,380
39,872	67,948
27,317	50,587
38,901	245,980
369,353	369,353
<u>295,000</u>	<u>295,000</u>
<u>848,322</u>	<u>1,134,248</u>

17,427,618	18,309,307
15,739	15,739
366,589	366,589
52,043	52,043
<u>709,298</u>	<u>1,323,973</u>
<u>\$ 18,571,287</u>	<u>\$ 20,067,651</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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Program Revenues		Net (Expenses) Revenues and Changes in Net Assets		
Charges for Services	Grants and Capital Contributions	Governmental Activities	Business-Type Activities	Total
\$ 455,387	\$ -0-	\$ 36,678	\$ -0-	\$ 36,678
24,288	-0-	(165,448)	-0-	(165,448)
350	-0-	(81,546)	-0-	(81,546)
2,500	-0-	(29,235)	-0-	(29,235)
-0-	-0-	(9,462)	-0-	(9,462)
<u>482,525</u>	<u>-0-</u>	<u>(249,013)</u>	<u>-0-</u>	<u>(249,013)</u>
<u>1,554,393</u>	<u>15</u>	<u>-0-</u>	<u>125,281</u>	<u>125,281</u>
<u>1,554,393</u>	<u>15</u>	<u>-0-</u>	<u>125,281</u>	<u>125,281</u>
<u>2,036,918</u>	<u>15</u>	<u>(249,013)</u>	<u>125,281</u>	<u>(123,732)</u>
		12,166	-0-	12,166
		174,046	-0-	174,046
		1,604	162	1,766
		<u>187,816</u>	<u>162</u>	<u>187,978</u>
		(61,197)	125,443	64,246
		<u>1,557,561</u>	<u>18,445,844</u>	<u>20,003,405</u>
		<u>\$ 1,496,364</u>	<u>\$ 18,571,287</u>	<u>\$ 20,067,651</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

SALTON COMMUNITY SERVICES DISTRICT
BALANCE SHEET- GOVERNMENTAL FUNDS
AS OF JUNE 30, 2014

	<u>General Fund</u>	<u>Channel Maintenance</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Investments	\$ 280,523	\$ 583,249	\$ 863,772
Accounts Receivable	2,982	322	3,304
Deposits	2,430	-0-	2,430
Prepaid Insurance	7,548	-0-	7,548
Due from Other Funds	21,836	25,294	47,130
	<u>21,836</u>	<u>25,294</u>	<u>47,130</u>
Total Assets	<u>\$ 315,319</u>	<u>\$ 608,865</u>	<u>\$ 924,184</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable	\$ 27,501	\$ -0-	\$ 27,501
Compensated Absences Payable	28,076	-0-	28,076
Accrued Other Post Employee Benefits	23,270	-0-	23,270
Due to Other Funds	20,362	3,221	23,583
	<u>20,362</u>	<u>3,221</u>	<u>23,583</u>
Total Liabilities	<u>99,209</u>	<u>3,221</u>	<u>102,430</u>
Fund Balance			
Unreserved	<u>216,110</u>	<u>605,644</u>	<u>821,754</u>
Fund Balance	<u>216,110</u>	<u>605,644</u>	<u>821,754</u>
Total Liabilities and Fund Balance	<u>\$ 315,319</u>	<u>\$ 608,865</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	881,689
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(207,079)</u>
Net Assets of Governmental Activities	<u>\$ 1,496,364</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

SALTON COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

REVENUES:	General Fund	Channel Maintenance	Total Governmental Funds
Taxes	\$ 167,870	\$ 6,176	\$ 174,046
Administration Fees	377,313	-0-	377,313
Permits	350	-0-	350
Fire Dept.	24,288	-0-	24,288
Rents and Leases	59,631	-0-	59,631
Interest	194	1,410	1,604
Other Fees	20,943	-0-	20,943
Other Income	12,166	-0-	12,166
	<u>662,755</u>	<u>7,586</u>	<u>670,341</u>
Total Revenue			
 EXPENDITURES			
Current:			
Administrative Expenditures	248,393	1,511	249,904
Nondepartmental Expenditures	168,805	-0-	168,805
Fire Departments	189,736	-0-	189,736
Public Works	81,896	-0-	81,896
Parks & Recreation	31,735	-0-	31,735
Debt Service:			
Principal retirement	14,521	-0-	14,521
Interest	9,462	-0-	9,462
	<u>744,548</u>	<u>1,511</u>	<u>746,059</u>
Total Expenditures			
Change in Fund Balance	<u>(81,793)</u>	<u>6,075</u>	<u>(75,718)</u>
FUND BALANCE, JULY 1, 2013	<u>297,903</u>	<u>599,569</u>	<u>897,472</u>
FUND BALANCE, JUNE 30, 2014	<u>\$ 216,110</u>	<u>\$ 605,644</u>	<u>\$ 821,754</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

SALTON COMMUNITY SERVICES DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPEDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Amounts reported for governmental activities in the statement of activities (page 13) are different because:

Net change in fund balances-total governmental funds (page 15)	(\$ 75,718)
--	-------------

<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets should be allocated over their estimated useful lives and reported as depreciation expense. See discussion in note 3 to the financial statements. This is the amount of capital outlays in the current period.</p>	-0-
---	-----

Repayment of capital lease principal is an expenditure in the Governmental funds, but the repayment reduces long-term Liabilities in the statement of net position.

Principal repayments	<u>14,521</u>
Change in net assets of governmental activities (pages 12 & 13)	<u>(\$ 61,197)</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

SALTON COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE BUDGET AND ACTUAL- GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

GENERAL FUND

REVENUES:	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Taxes	\$ 173,200	\$ 167,870	\$ (5,330)
Administration Fees	351,643	377,313	25,670
Permits	200	350	150
Fire Dept.	24,288	24,288	-0-
Rents and Leases	60,695	59,631	(1,064)
Interest	335	194	(141)
Other Fees	17,800	20,943	3,143
Other Income	20,604	12,166	(8,438)
	<u>648,765</u>	<u>662,755</u>	<u>13,990</u>
EXPENDITURES			
Administrative Expenditures	252,060	248,393	3,667
Non-departmental Expenditures	105,102	168,805	(63,703)
Fire Departments	192,116	189,736	2,380
Public Works	84,226	81,896	2,330
Parks & Recreation	41,225	31,735	9,490
Debt Service:			
Principal retirement	-0-	14,521	(14,521)
Interest	-0-	9,462	(9,462)
	<u>674,729</u>	<u>744,548</u>	<u>(69,819)</u>
Change in Fund Balance	<u>(25,964)</u>	<u>(81,793)</u>	<u>(55,829)</u>
FUND BALANCE, JULY 1, 2013	<u>297,903</u>	<u>297,903</u>	<u>-0-</u>
FUND BALANCE, JUNE 30, 2014	<u>\$ 271,939</u>	<u>\$ 216,110</u>	<u>\$ (55,829)</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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<u>Sewer Construction</u>	<u>Total Business-Type Activities</u>
\$ 11,624	\$ 907,202
4	6,509
-0-	3,310
-0-	15,739
889	366,589
6,000	14,314
<u>15,207,142</u>	<u>18,143,807</u>
<u>\$ 15,225,659</u>	<u>\$ 19,457,470</u>

\$ -0-	\$ 77,879
-0-	39,872
-0-	27,317
-0-	37,861
-0-	38,901
-0-	369,353
-0-	295,000
<u>-0-</u>	<u>886,183</u>

15,207,142	17,440,553
889	366,589
17,628	52,043
-0-	15,739
-0-	696,363
<u>15,225,659</u>	<u>18,571,287</u>
<u>\$ 15,225,659</u>	<u>\$ 19,457,470</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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<u>Sewer Construction</u>	<u>Total Business-Type Activities</u>
\$ -0-	\$ 1,416,128
<u>-0-</u>	<u>138,265</u>
<u>-0-</u>	<u>1,554,393</u>
-0-	376,019
<u>18</u>	<u>1,023,361</u>
<u>18</u>	<u>1,399,380</u>
<u>(18)</u>	<u>155,013</u>
4	162
<u>-0-</u>	<u>(29,747)</u>
<u>4</u>	<u>(29,585)</u>
<u>15</u>	<u>15</u>
<u>1</u>	<u>125,443</u>
<u>15,225,658</u>	<u>18,445,844</u>
<u>\$ 15,225,659</u>	<u>\$ 18,571,287</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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<u>Sewer Construction</u>	<u>Total Business-Type Activities</u>
<u>\$ (18)</u>	<u>\$ 155,013</u>
-0-	2
-0-	(823)
-0-	43,689
-0-	(69,904)
<u>-0-</u>	<u>15,422</u>
<u>-0-</u>	<u>(11,614)</u>
<u>(18)</u>	<u>143,399</u>
<u>4</u>	<u>162</u>
<u>4</u>	<u>162</u>
-0-	(12,935)
-0-	(29,747)
-0-	(84,501)
<u>15</u>	<u>15</u>
<u>15</u>	<u>(127,168)</u>
1	16,393
<u>12,512</u>	<u>1,257,398</u>
<u>\$ 12,513</u>	<u>\$ 1,273,791</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

SALTON COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Salton Community Services District (District) have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body of establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

A. Reporting Entity

The District was formed under government code section 61600 of the State of California on June 13, 1955.

The District was established and formed to provide the following:

1. Collect, treat, or dispose of sewage.
2. Collect, transfer and dispose of solid waste.
3. Provide fire protection.
4. Acquire, construct recreation facilities.
5. Organize, promote community recreation.
6. Acquire, construct, and improve lighting and landscaping.
7. Provide emergency medical services.

Blended Component Unit:

On October 15, 2002, the Board approved and authorized the execution and filing of the organizational documents relating to the Salton Community Services District Financing Corporation. The District authorized an administration and assignment agreement for certificates of participation (2002 financing project) in an aggregate principal amount not to exceed \$ 950,000 for the purpose of securing a loan from the U.S. Department of Agriculture Rural Utility Service.

SALTON COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

The District uses funds to report on its' financial position and the results of its' operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Governmental funds are used to account for or most of a government's general activities, including the collection of property taxes and the acquisition or construction of capital assets. The general fund is used to account for all activities of the general government not accounted for in some other fund.

The governmental fund types of the District consists of the general fund and the proprietary funds. The general fund is made up of the General, and the Channel Maintenance Funds. The proprietary funds consists of the Sewer Construction fund and the Sewer Maintenance fund.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet.

Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

SALTON COMMUNITY SERVICES DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction that can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

D. Cash and Investments

Cash includes amounts in demand deposits.

Investments consist of time certificates of deposits and the California Local Investment Fund (LAIF). These investments are stated at fair value.

E. Inventories

Inventories, stated at cost, consist of various materials needed for the sewer construction.

F. Interfund Activity

During the normal course of business, individual funds may receive or pay amounts for other funds, giving rise to interfund receivable or payables which are liquidated shortly thereafter. Interfund balances were comprised of the following as of June 30, 2014:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	
General Fund	\$ 21,836	\$ 20,362	
Chanel Maintenance	25,294	3,221	
Sewer Maintenance	8,314	37,861	
Sewer Construction	6,000	-0-	
Total	\$ 61,444	\$ 61,444	

SALTON COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates under different assumptions or conditions.

NOTE 2 - CASH AND INVESTMENTS

The District operates its idle cash investments under the Prudent Man Rule (California Civil Code Sections 2261 et seq.). This affords the District a broad spectrum of investment opportunities as long as the investment is deemed prudent and is allowable under current legislation of the State of California (Government Code Section 53600 et seq.).

In accordance with Section 53601 of the California Government code, the District may invest in the following types of instruments:

- a. Securities of the U.S. Government, or its agencies
- b. Certificates of deposit
- c. Negotiable certificates of deposit
- d. Bankers acceptances
- e. Commercial paper
- f. Local Agency Investment Fund (LAIF)

California Local Agency Investment Fund (LAIF)

The Local Agency Investment Fund (LAIF) is a special fund of the California State Treasury through which local governments may pool investments. Each Local government may invest up to \$ 20,000,000 in this fund. Investments are highly liquid and may be converted to cash within 24 hours. This type of investment is not subject to categorization.

SALTON COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 2 - CASH AND INVESTMENTS (Continued)

The District's investments with LAIF at June 30, 2014 include a portion of the pool funds invested in structured notes and asset-backed securities. These investments may include the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-backed securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMOs) or credit card receivables.

As of June 30, 2014, LAIF had invested 3.086% of the pool investment funds in structured notes and asset-backed securities.

Classification of Deposits and Investments by Credit Risk:

Deposits and investments are classified into three categories of credit risk. These categories are as follows:

Deposits:

- Category 1 - Deposits which are insured by FDIC, a state depository insurance fund or a multiple-financial institution collateral pool, or deposits which are collateralized with securities held by the District or the District's agent in the District's name.
- Category 2 - Deposits which are collateralized with securities held by the pledging financial institutions trust department in the District's name.
- Category 3 - Deposits which are uncollateralized, or collateralized but the pledge securities are not held in the District's name.

SALTON COMMUNITY SERVICES DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

NOTE 2 - CASH AND INVESTMENTS (Continued)

Investments:

- Category 1 - Investments which are insured by SIPC, or where the securities are held by the District or the District's agent in the District's name.
- Category 2 - Investments which are uninsured and unregistered where the securities are held by the purchasing financial institution's trust department or agent in the District's name.
- Category 3 - Investments which are uninsured and unregistered where the securities are held by the purchasing financial institution's trust department or agent, but not in the District's name.

Investments Not Subject to Categorization:

Investments in the California Local Agency Investment Fund (LAIF) are not required to be categorized, as they are investment pools managed by another government.

Deposits and investments were categorized as follows as of June 30, 2014:

	<u>Category</u>			Not Required To Be <u>Categorized</u>	<u>Bank Balances</u>	<u>Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>			
Deposits:						
Undeposited Funds	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 252,930
Petty Cash	-0-	-0-	-0-	-0-	-0-	100
Demand Accounts	1,194,395	-0-	-0-	-0-	1,390,964	1,194,584
Local Agency Investment Fund	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>689,949</u>	<u>-0-</u>	<u>689,949</u>
Total Deposits	<u>\$ 1,194,395</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 689,949</u>	<u>\$ 1,390,964</u>	<u>\$ 2,137,563</u>
TOTAL CARRYING AMOUNT (BOOK BALANCES)						<u>\$ 2,137,563</u>
Cash and Investments						\$ 1,770,974
Cash and Investments – Restricted						<u>366,589</u>
TOTAL CASH AND INVESTMENTS						<u>\$ 2,137,563</u>

SALTON COMMUNITY SERVICES DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT

Complete and adequate records are not maintained by the District; therefore, no adjustments were made to capital assets, except for the additions that were identifiable from supporting documentation.

A summary of changes in capital assets for governmental activities for the year ended June 30, 2014 is as follows:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	Balance <u>June 30, 2014</u>
Structures & Improvements	\$ 340,132	\$ -0-	\$ 340,132
Motor Vehicles	199,528	221,600	421,128
Office Furniture	4,535	-0-	4,535
Golf Course	45,214	-0-	45,214
Launch Ramp	<u>70,680</u>	<u>-0-</u>	<u>70,680</u>
 Total Fixed Assets	 <u>\$ 660,089</u>	 <u>\$ 221,600</u>	 <u>\$ 881,689</u>

A summary of changes in capital assets for business-type activities for the year ended June 30, 2014 is as follows:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	Balance <u>June 30, 2014</u>
Pump Stations	\$ 65,774	\$ -0-	\$ 65,774
Sewers	6,759,568	-0-	6,759,568
Structures & Improvements	532,963	-0-	532,963
Equipment	881,328	-0-	881,328
Motor Vehicles	318,963	12,935	331,898
Office Furniture	4,535	-0-	4,535
New Construction	<u>9,567,741</u>	<u>-0-</u>	<u>9,567,741</u>
 Total Fixed Assets	 <u>\$ 18,130,872</u>	 <u>\$ 12,935</u>	 <u>\$ 18,143,807</u>

SALTON COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 4 - PROPERTY TAXES AND SPECIAL ASSESSMENT REVENUE

Revenue is recognized in the fiscal year for which the tax and assessment is levied. The County of Imperial levies, bills and collects property taxes and special assessments for the District; under the County's "Teeter Plan" the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1 of the preceding fiscal year.

Secured property tax is due in two installments, on November 1 and February 1 and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31.

The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the personal property being taxed. Secured and unsecured property tax revenues are recognized by the District in the fiscal year they are assessed provided they become available as defined above.

NOTE 5 - RETIREMENT PLAN

Plan description: PERS defined benefit

The District contributes to the Miscellaneous 2% at 60 Risk Pool of the California Employees Retirement System (CalPERS), a cost sharing, multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. As of July 1, 2005, the District was mandated by the State to participate in the risk pool. The risk pool combines the assets and liabilities across employers of the same risk pool to provide a method to spread the risk of uncertain gains and losses over a larger base of members. The June 30, 2003 valuations were the first pooled valuations. Benefit provisions and all other requirements are established by State statute and District resolutions. Copies of CalPERS' annual financial report may be obtained from their Executive Office located at, 400 P Street, Sacramento, CA 95814.

SALTON COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 5 - RETIREMENT PLAN (CONTINUED)

Funding policy:

The District contributes all amounts necessary to fund benefits for its employees. The contribution includes an employee portion of 7% of current covered payroll. The District is also required to contribute any actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the year ended June 30, 2014 was 5.419%. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS. The District's contributions to CalPERS for the years ended June 30, 2014, 2013 and 2012, which were all prepaid by the District at the beginning of the year, were \$39,100, \$25,656 and \$25,601 respectively. These contributions were equal to the required contributions for each year.

NOTE 6 – LONG-TERM DEBT

Loan payable to the United States Department of Agriculture, secured by the District's levy and Collection of assessments or use charges as may be necessary to operate and maintain the plant and meet the payments, payable in annual payments from \$ 25,000 to \$ 43,000 including interest at adjusted rate of 4.25% per annum on the unpaid balance. \$ 369,353

Loan payable to the North American Development Bank, secured by the District's levy and collection of assessments or use charges as may be necessary to operate and maintain the plant and meet the payments, payable in annual payments from \$ 15,000 to \$ 35,000 including interest at adjusted rate of 3.85% per annum on the unpaid balance. \$ 295,000

Loan payable to Sun Community Federal Credit Union, payable in monthly installments of \$ 1,738, including interest at 2.74% and collateralized by two vehicles. Final payment is due May 7, 2016. \$ 38,901

SALTON COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 6: LONG-TERM DEBT (CONTINUED)

Capital lease payable to Oshkosh Capital, payable in annual installments of \$ 23,983, including interest at 4.27% and collateralized by a fire truck. Final payment is due August 24, 2024. \$ 207,079

	<u>Original Amount Issued</u>	<u>Balance June 30, 2014</u>
USDA - COP	\$ 703,000	\$ 369,353
USDA - COP	500,000	295,000
Note payable - SCFCU	60,000	38,901
Loan payable	<u>221,600</u>	<u>207,079</u>
	<u>\$ 1,484,000</u>	<u>910,333</u>
Less: current portion		<u>(100,184)</u>
Long-term portion		<u>\$ 810,149</u>

<u>Year Ending June 30</u>	<u>USDA - COP</u>		<u>Total Debt Service</u>
	<u>Principal</u>	<u>Interest</u>	
2015	\$ 25,000	\$ 11,358	\$ 36,358
2016	25,000	10,395	35,395
2017	25,000	9,458	34,458
2018	30,000	8,470	38,470
2019	30,000	7,315	37,315
2020-2024	<u>160,000</u>	<u>19,072</u>	<u>179,072</u>
	<u>\$ 295,000</u>	<u>\$ 66,068</u>	<u>\$ 361,068</u>

<u>Year Ending June 30</u>	<u>USDA - COP</u>		<u>Total Debt Service</u>
	<u>Principal</u>	<u>Interest</u>	
2015	\$ 40,000	\$ 12,880	\$ 52,880
2016	40,000	12,880	52,880
2017	40,000	12,880	52,880
2018	40,000	12,880	52,880
2019	40,000	12,880	52,880
2020- 2024	<u>169,353</u>	<u>61,400</u>	<u>230,753</u>
	<u>\$ 369,353</u>	<u>\$ 125,800</u>	<u>\$ 495,153</u>

SALTON COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 6: LONG-TERM DEBT (CONTINUED)

<u>LOAN PAYABLE - SCFCU</u>			
<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2015	\$ 20,043	\$ 815	\$ 20,858
2016	<u>18,858</u>	<u>265</u>	<u>19,123</u>
	<u>\$ 38,901</u>	<u>\$ 1,080</u>	<u>\$ 39,981</u>
<u>Capital Lease – Oshkosh Capital</u>			
<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2015	\$ 15,141	\$ 8,842	\$ 23,983
2016	15,788	8,195	23,983
2017	16,462	7,521	23,983
2018	17,165	6,818	23,983
2019	17,898	6,085	23,983
2020-2024	101,625	18,292	119,917
2025	<u>23,000</u>	<u>983</u>	<u>23,983</u>
	<u>\$ 207,079</u>	<u>\$ 56,736</u>	<u>\$ 263,815</u>

The combined aggregate maturity of all long-term debt obligations is detailed as of June 30, 2014 by fiscal year of maturity as follows:

<u>Combined</u>			
<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2015	\$ 100,184	\$ 33,895	\$ 134,079
2016	99,646	31,735	131,381
2017	81,462	29,859	111,321
2018	87,165	28,168	115,333
2019	87,898	26,280	114,178
2020-2024	430,978	98,764	529,742
2025	<u>23,000</u>	<u>983</u>	<u>23,983</u>
Total	<u>\$ 910,333</u>	<u>\$ 249,684</u>	<u>\$ 1,160,017</u>

NOTE 7 – COMPENSATED ABSENCES

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Unused vacation and sick pay are accrued in the government wide and proprietary fund financial statements.

SALTON COMMUNITY SERVICES DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2014

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The District has a single-employer postemployment benefit plan which provides postretirement health care benefits through the CalPERS healthcare program (PEMHCA) to eligible employees who retire directly from the District. The District pays the cost of medical premiums for the lifetime of the retiree and his or her spouse up to a maximum amount of \$ 414 per month. The District does not provide a retiree contribution for dental, vision, or life insurance benefits.

In order to be eligible for the District's contribution, the employee must have worked a minimum of 5 years with the District and be at least 50 years old in order to qualify for medical benefits. Benefit provisions are established by the Board of Directors.

Funding Policy

The District's Board of Directors will not be funding the plan in the current year. The Board will review the funding requirements and policy annually.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The District has elected to calculate the ARC and related information using the alternative measurement method for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over the remaining period of 22 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in its net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$ 116,138
Interest on net OPEB obligation	-0-
Adjustment to annual required contribution	<u>-0-</u>
Annual OPEB cost (expense)	116,138
Contributions made	<u>65,551</u>
Increase in net OPEB obligation	50,587
Net OPEB obligation – beginning of year	<u>-0-</u>
Net OPEB obligation – end of year	<u>\$ 50,587</u>

SALTON COMMUNITY SERVICES DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2014

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS
 (CONTINUED)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the current fiscal year is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2013	\$ 116,138	56%	\$ 50,587

Funding Status and Funding Progress

As of July 1, 2010 the actuarial accrued liability (AAL) for benefits was \$1,291,632, all of which is unfunded.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer as subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term prospective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 59, or at the first subsequent year in which the member would qualify for benefits.

SALTON COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS
(CONTINUED)

Mortality – Life expectancies at the calculation date are based on the most recent mortality tables published by the National Center for Health Statistics website (www.cdc.gov). The calculation of OPEB liability for each year is based on the assumption that all participants will live until their expected age as displayed in the mortality tables. The current age for the retiree's spouse is assumed to be the same as that of the retiree.

Turnover – The probability that an employee will remain employed until the assumed retirement age was determined using non-group-specific age-based turnover data provided in Table 1 in paragraph 35 of GASB Statement No. 45. In addition the expected future working lifetimes of employees were determined using Table 2 in paragraph 35c of GASB Statement No. 45.

Healthcare cost trend rate – Healthcare cost trend rates were selected based on a combination of national and state trend surveys as well as professional judgment. The ultimate trend rate was 6.0%. The medical costs are capped at \$414 per month.

Health insurance premiums – 2010-11 health insurance premiums for retirees were used as a basis for calculation of the present value of total benefits to be paid. An employee is assumed to continue with the same medical plan upon retirement. If an employee waived medical coverage, then such waiver is assumed to continue into retirement.

Medicare Coordination – Medicare was assumed as the primary payer for current and future retirees at age 59.

Payroll increase – Changes in the payroll for current employees are expected to increase at a rate of approximately 2.8% annually.

Discount rate – The calculation used an annual discount rate of 2%. This is based on the assumed long-term return on plan assets or employer assets.

Actuarial cost method – The entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at July 1, 2013 was twenty-nine years.

SALTON COMMUNITY SERVICES DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2014

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS
 (CONTINUED)

Plan for Funding

On an ongoing basis, the District will be reviewing its assumptions, comparing them against actual experience and recalculation the needed funding with the goal of paying for postemployment benefits out of interest earned on designated funds.

Required Supplementary Information: Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Liability (AAL) Entry Age (a)</u>	<u>Accrued Value of Assets (b)</u>	<u>Actuarial Liability (UAAL) (a-b)</u>	<u>Unfunded Funded Status (b/a)</u>	<u>Annual Covered Payroll (c)</u>	<u>UAAL as a % of payroll ((a-b)/c)</u>
07/01/10	\$1,291,632	\$ 0	\$1,291,632	0%	\$495,550	260.6%

NOTE 9 – SUBSEQUENT EVENTS

The management of the District have reviewed the results of operations for the period of time from its year end June 30, 2014 through January 13, 2015, the date the financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying combined financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

SUPPLEMENTARY INFORMATION

SALTON COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

CHANNEL MAINTENANCE

REVENUES:	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Taxes	\$ 8,300	\$ 6,176	\$ (2,124)
Interest	<u>1,775</u>	<u>1,410</u>	<u>(365)</u>
Total Revenue	<u>10,075</u>	<u>7,586</u>	<u>(2,489)</u>
 EXPENDITURES			
Administrative Expenditures	<u>1,511</u>	<u>1,511</u>	<u>-0-</u>
Total Expenditures	<u>1,511</u>	<u>1,511</u>	<u>-0-</u>
Change in Fund Balance	<u>8,564</u>	<u>6,075</u>	<u>(2,489)</u>
FUND BALANCE, JULY 1, 2013	<u>599,569</u>	<u>599,569</u>	<u>-0-</u>
FUND BALANCE, JUNE 30, 2014	<u>\$ 608,133</u>	<u>\$ 605,644</u>	<u>\$ (2,489)</u>

SEE AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

SALTON COMMUNITY SERVICES DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SEWER CONSTRUCTION

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OPERATING REVENUE:			
Charges for Services	\$ -0-	\$ -0-	\$ -0-
Other Revenue	-0-	-0-	-0-
	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Revenue	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
EXPENDITURES:			
Administrative Expenditures	-0-	-0-	-0-
Other Expenditures	-0-	18	(18)
	<u>-0-</u>	<u>18</u>	<u>(18)</u>
Total Expenditures	<u>-0-</u>	<u>18</u>	<u>(18)</u>
Change in Fund Balance	-0-	(18)	18
NON OPERATING REVENUE:			
Interest Earnings	<u>4</u>	<u>4</u>	<u>-0-</u>
Total Non Operating Income	<u>4</u>	<u>4</u>	<u>-0-</u>
Capital Contributions	<u>20</u>	<u>15</u>	<u>5</u>
Change in Fund Balance	24	1	(23)
FUND BALANCE, JULY 1, 2013	<u>15,225,658</u>	<u>15,225,658</u>	<u>-0-</u>
FUND BALANCE, JUNE 30, 2014	<u>\$ 15,225,682</u>	<u>\$ 15,225,659</u>	<u>\$ (23)</u>

SEE AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

SALTON COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SEWER MAINTENANCE

REVENUES:	<u>Adopted Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Sewer User Charges	\$ 1,396,600	\$ 1,416,128	\$ 19,528
Other Income	-0-	138,265	138,265
Total Revenue	<u>1,396,600</u>	<u>1,554,393</u>	<u>157,793</u>
 EXPENDITURES			
Administrative Expenditures	353,128	376,019	(22,891)
Sewer Maintenance	<u>916,103</u>	<u>1,023,343</u>	<u>(107,240)</u>
Total Expenditures	<u>1,269,231</u>	<u>1,399,362</u>	<u>(130,131)</u>
Operating Income	<u>127,369</u>	<u>155,031</u>	<u>(27,662)</u>
 NON OPERATING REVENUES (EXPENSES)			
Interest Earnings	150	158	8
Interest Expense	<u>(29,500)</u>	<u>(29,747)</u>	<u>(247)</u>
Total Non Operating Revenues (Expenses)	<u>(29,350)</u>	<u>(29,589)</u>	<u>(239)</u>
Capital Contributions	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Change in Fund Balance	98,019	<u>125,442</u>	27,423
FUND BALANCE, JULY 1, 2013	<u>3,220,186</u>	<u>3,220,186</u>	<u>-0-</u>
FUND BALANCE, JUNE 30, 2014	<u>\$ 3,318,205</u>	<u>\$ 3,345,628</u>	<u>\$ 27,423</u>

SEE AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

SALTON COMMUNITY SERVICES DISTRICT
 SCHEDULE OF SEWER MAINTENANCE EXPENSES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Wages and Benefits	\$ 601,172
Administration Fee Expense	376,019
Bank charges	2,292
Laundry and Janitorial Expenses	12,349
Vehicle & Equipment Expenses	51,731
Utilities Expenses	92,131
License and Permit Expense	45,977
Sewer System Expense	154,653
Insurance Premiums Expense	30,879
Training Expense	387
Physicals Expense	437
Drug Testing Expense	786
Breakroom Expense	1,394
Other Expenses	5,614
Tools Purchases Expense	2,604
Equipment Purchases Expense	3,117
Building and grounds	3,511
Fire extinguisher expense	490
Travel expense	239
Bulk drinking water	749
Computer software	433
Sewer projects expenses	<u>12,398</u>
Total Expenses	<u>\$ 1,399,362</u>

SEE AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION



George J. Woo
Certified Public Accountant

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

To the Board of Directors of
Salton Community Services District
Salton City, California

I have audited the financial statements of the governmental activities, the business-type activities, as of and for the year ended June 30, 2014, which collectively comprise the Salton Community Services District basic financial statements and have issued my report thereon dated January 13, 2015. 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.

Internal Control over Financial Reporting

Management of Salton Community Services District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered Salton Community Services District internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Salton Community Services District internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Salton Community Services District internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Salton Community Services District 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 not 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.

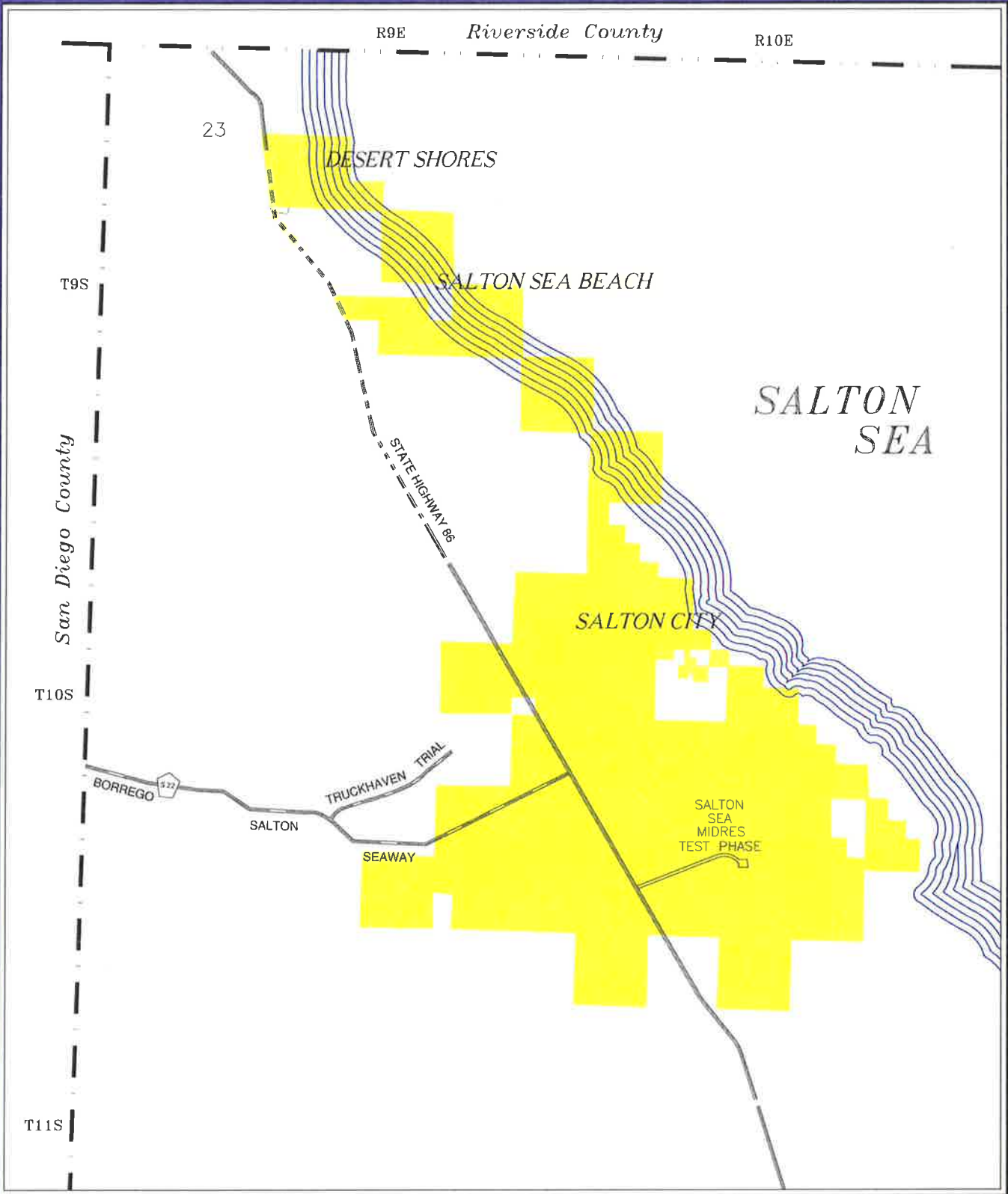
This report is intended solely for the information and use of management, Board of Directors, and others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "James J. [unclear]", is positioned to the right of the date.

January 13, 2015

EXHIBIT B

Current Sphere of Influence Boundary Map
SCSD 1-16



Salton Community Service District
 local agency formation commission

EXHIBIT 18