

**CASTROVILLE COMMUNITY  
SERVICES DISTRICT**

**Auditors' Reports  
Financial Statements  
And  
Supplemental Information**

*For the Year Ended  
June 30, 2018*



**PORTER & LASIEWICZ, CPAs**  
*Certified Public Accountants*

# Castroville Community Services District

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June 30, 2018

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# Castroville Community Services District

## ORGANIZATION

June 30, 2018

### GOVERNING BOARD OF DIRECTORS

<u>Name</u>	<u>Office</u>
Silvestre Montejano	President
Adriana Melgoza	Vice-President
Ron Stefani	Director
James R. Cochran	Director
Glenn Oania	Director

### ADMINISTRATION

Eric Tynan	General Manager
Lidia Santos	Board Secretary/Office Manager

# Castroville Community Services District



**11499 Geil Street  
CASTROVILLE, CA 95012**

## Management's Discussion and Analysis

As management of the Castroville Community Services District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the Castroville Community Services District for the fiscal year ended June 30, 2018. The Castroville Community Services District's financial management is responsible for preparing the Management's Discussion and Analysis section.

The Castroville Community Services District, formerly the Castroville Water District, a special district was formed in 1952 under the County Water District Act for the purpose of installing, operating, and distributing a water supply for the community of Castroville. In May of 2006 the District assumed the assets and liabilities for the sewer and storm drain from CSA 14. In February of 2008 the Castroville Water District and CSA 14 were merged to create the Castroville Community Services District that resulted in acquiring additional services such as street lighting, recreational funding, open space, and street maintenance. Finally, in 2014 the CCSD merged with the Moss Landing Sanitation District which it had been operating under contract for several years.

At this time, Monterey County and the community of Castroville are following the Castroville Community Plan, a plan that guides development in Castroville for the next twenty years. This plan would more than double the size of Castroville, adding an additional 1,655 residential units, 40 new light industrial facilities, 50,000 square feet of commercial development, and a new light rail commuter train station.

In summary, the District with all the new services acts much like a small city government, which was in response to the community wanting more local control and accountability. With this merger, the District has tripled its area, and quadrupled its reserves.

### **ENTERPRISE-WATER OPERATIONS**

Presently, the District serves more than 7,250 customers through 2,145 water connections in the community of Castroville, located in the northern Salinas Valley in Monterey County. The District provides approximately 820 acre-feet of water annually to government, commercial, and residential customers. The District operates five domestic water production wells and the estimated capacity of all five wells is approximately 6.12 million gallons per day. The water system encompasses approximately 13 miles of pipeline and includes two water storage tanks with a capacity of 1.1 million gallons. Monitoring wells are strategically placed along the coast to monitor water quality and groundwater levels in the aquifers that make up our water supply. All wells are sampled for over 180 constituents including but not limited to: chlorides, nitrates, total dissolved solids, static water level, and sodium. At this time, the District receives 75 percent of its water from the 400-foot aquifer but has drilled a new well, Well #5 at Well Site #2 that supplies 20 percent of our water from the 900-foot or "deep" aquifer. Unfortunately, this well has arsenic at 21 ppb, and the limit is 10 ppb per the State Water Resource Control Board. A filtration unit has been installed to meet the lower standard by Conco West, Inc and overseen by MNS Engineers. The District's cost for the arsenic treatment system was approximately \$1,250,000 and this treated water is being blended with the existing Well #2 at this site to bring the blended water below the 10-ppb level. The District has been awarded a grant for \$581,000 from the California Department of Water Resources from Prop 84 measure to facilitate treatment of this source which has been finalized as of April 2016. Finally, the District completed a 218 measure to raise fees over the next 5 years to guarantee funding of current needs and future projects.

## **ENTERPRISE-WATER OPERATIONS**

Historically, the District has been wary of salt-water intrusion of its source aquifers. There has been little or no movement in the Castroville area of the salt-water contour since 1997. We believe this is due at least in part to the Castroville Seawater Intrusion Project (CSIP). Wells #2 and well #3 were starting to show signs of seawater intrusion and have been modified to seal off the upper perforations that allowed chlorides to exceed the 500 mg/l limit. The wells now have chlorides of 73 mg/l and 488 mg/L respectively both which are below the secondary standard of 500 mg/L. Unfortunately, the current drought has drawn down our wells to historic levels which exacerbates salt water intrusion. Additionally, the District is keeping an eye on the Salinas River Diversion Facility (SRDF), which started up in 2013, but due to the drought, was shut down last year. When the SRDF is up and running it is expected that up to 15 supplemental wells will be retired around Castroville. When the SRDF is again operational the results could be twofold: reduced pumping could help restore the aquifer and some of the supplemental agriculture wells may be available for urban usage in the future. Due to the drought the SRDF has not been able to produce water and the results are that the supplemental wells have continued to draw down the aquifer that Castroville depends on. It is conceivable that the District could lose Well #3 to salt water intrusion in the coming year. In addition, the District is looking at Desalinization options. In 2014 the District signed a Memorandum of Intent with Deepwater Desal. The District is also considering a water purchase agreement that would access Desal water from the California American Desal Project. The District would purchase the Desal water from CalAm at a price based on the cost of pumping from its current wells. This purchased water would be used in lieu of pumping our wells in the hope it would help preserve the local aquifers and help halt seawater intrusion. The Castroville Community Services District has passed a 218 measure to increase water rates in anticipation of more expensive source water supplies. Finally, the District is applying for Proposition 1 funding with the California Department of Water Resources for a grant to help get technical and advisory funds to facilitate a system hydraulic study for improving system performance and identify need improvements and upgrades such as a new pipeline to the Marina Desal Plant and need tie-ins for tank filling through the distribution system and additional storage from a new 600,000 gallon storage tank.

## **ENTERPRISE-SEWER OPERATIONS**

The District assumed the responsibilities and assets for sewer and storm drain activities on May 1, 2006 from County Service Area 14 (CSA 14). The sewer system incorporates 18 miles of main lines and five lift stations, two located in Castroville (Zone 1) and the other two located in Zone 2. Along with these systems the District acquired a jetter truck, utility truck with a crane, and cash reserves. The District has a large reserve fund balance because of the sale of a wastewater treatment facility a number of years ago by Castroville Sanitation District to the Monterey One Water formerly Monterey Regional Water Pollution Control Agency (MRWPCA); this fund itself generates additional income in the form of interest on principal. The proceeds and interest earned from the sale of the wastewater treatment facility are used to maintain, operate, repair, and construct sewer facilities in Zone 1 necessary to connect to the Monterey One Water treatment facilities. For this reason, no sewer user fees are assessed for Castroville (Zone 1) at this time. Also, a new lift station was installed in the new Sea Garden apartments and came on-line in September 2013.

Moro Cojo (Zone 2) is assessed user fees for sewer. Monte Del Lago Mobile Home Park and North Monterey County High School are also assessed user fees for sewer. In 2016 the District proceeded with a 218 measure to increase user fees starting in 2017 for the next five years.

In 2011 the District contracted with the County to provide operation and emergency response services to the Moss Landing County Sanitation District. In July of 2014 the District consolidated with the Moss Landing County Sanitation District creating Zone 3. Since acquiring the Moss Landing system the District has installed a state of the art remote control and monitoring system, replaced 3 damaged manholes and plugged the stormdrain inlets of 7 residences on Struve Road that caused a cross connection with the sewer system. Sewer fees for Moss Landing (Zone 3) are collected by Monterey One Water and then sent to Castroville Community Services District.

Furthermore, throughout the three sewer service areas, broken or damaged sewer mains and manholes were repaired or replaced, which has resulted in a much more efficient and less costly operation and maintenance program. In addition, a SCADA system control was installed that greatly increased the District's ability to monitor and respond to all lift station trending, alarms or other concerns. The force mains in Castroville (Zone 1) were all "pigged" in 2008 to clear them of debris. The lift pumps were also repaired or replaced at all the lift stations. The force mains in Moss Landing (Zone 3) are scheduled for pigging in 2018. The District is currently applying for a \$3,000,000 grant to replace motor control centers, gravity lines and a force main running under the Highway 1 bridge over the Elkhorn Slough for Zone 3.

## **ENTERPRISE-STORM DRAIN OPERATIONS**

Storm Drain user fees are assessed for both Castroville (Zone 1) and Moro Cojo (Zone 2). The storm drain system includes approximately 16 miles of main lines, four Vortec units, and one hundred seventy-eight catch basins. All basins were labeled with "Don't Dump, Flows to Bay." Currently, the District cleans the storm drain basins as needed as well as contracting with a private company for street sweeping as needed to help keep debris from plugging the storm drain system. In September of 2013, the Union Street Storm Drain Project was completed in coordination with Monterey County Public Works. The District installed the basins and pipe and Monterey County Public Works put in the street, curb and gutter. The Union alley and Rico Street storm drains were also installed.

## **GOVERNMENTAL-STREET LIGHTS**

Street light user fees are assessed for both Castroville (Zone 1) and Moro Cojo (Zone 2). The District is responsible for the electrical cost of these street lights to PG&E. Street lights are not metered and are instead charged a flat rate fee, therefore, it is important that the District notify PG&E when a street light needs to be repaired. Last fiscal year, all but 26 street lights were upgraded by PG&E to LED's. The resulting savings of approximately 60% will be used over the next few years to pay back the retrofit by PG&E. The District has also replaced the lights, ballasts, and hardware on the crossover walkway in Castroville (Zone 1). A few years ago, a bulb-out was installed at the Castroville overhead sign to protect it from truck damage.

## **GOVERNMENTAL-OPEN SPACE**

Only Moro Cojo (Zone 2) is assessed user fees for open space. The District is only responsible for open space maintenance on approximately 3 acres fronting the Moro Cojo subdivision. This maintenance is performed twice a year and contracted out to the North County Recreation and Park District.

## **GOVERNMENTAL-STREET MAINTENANCE**

Only Moro Cojo (Zone 2) is assessed user fees for street maintenance. All streets were resurfaced and stop lines and limit lines stenciled for the streets in Moro Cojo during fiscal year 2013-14. For fiscal year 2016-2017, damaged street signs were replaced, and graffiti was painted over.

## **GOVERNMENTAL-RECREATIONAL SERVICES**

Recreational Services are extended services authorized to be provided by the District. The District can either provide services to its residents directly or may contract with another public agency to provide such services. Recreational funding is routed through the North County Recreation and Park District (NCRPD). Funds for NCRPD had been paid by CSA 14 before it was dissolved. Recreational funding is provided by ad valorem property tax revenues collected for Castroville (Zone 1). For fiscal year ended June 30, 2017, \$150,489 was provided to NCRPD for recreational funding of which \$42,500 was applied towards the tax measure. Most of the funds that were to be used for the tax measure for fiscal year ended June 30, 2017 were not allocated after all and instead carried forward to fiscal year ended June 30, 2018. Currently, the CCSD is helping the NCRPD with a tax measure to get them more fully funded. Armanasco Public Relations was contracted with to help facilitate outreach for the tax measure by the NCRPD. The NCRPD tax measure should be on the November 2018 ballot. For clarification, revenues taxes used to pay NCRPD came from ad valorem property taxes and may be used for any purpose the District is authorized to perform including Recreational funding.

## **CAPITAL IMPROVEMENTS**

**Overview of the Financial Statements.** This discussion and analysis are intended to serve as an introduction to the Castroville Community Services District's basic financial statements. The Castroville Community Services District's basic financial statements comprise four components:

- 1) Government-wide financial statements,
- 2) Governmental fund financial statements
- 3) Proprietary fund financial statements, and
- 4) Notes to the financial statements.

## **CAPITAL IMPROVEMENTS**

The financial statements presented here include all the activities of the Castroville Community Services District. Governmental Accounting Standards Board (GASB) Statement No. 34 requires that the financial report present the District together with any component units that it has. The District has no component units as described in the GASB Statement.

This report also contains other supplementary information in addition to the basic financial statements themselves. In addition, there are several different types of financial statements within the first three groups identified above.

### ***Government-wide financial statements***

The *government-wide financial statements* are designed to provide readers with a broad overview of the Castroville Community Services District finances, in a manner similar to a private-sector business. These government-wide financial statements can be found on pages 12-13 of this report. This statement presents a measure of all assets, liabilities, revenues, expenses, gains, and losses using the economic resources measurement focus using the accrual basis of accounting.

The *statement of net assets* presents information on all of the Castroville Community Services District's assets and liabilities, with the difference between the two reported as *net* assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Castroville Community Services District is improving or deteriorating.

The *statement of activities* presents information showing how the entity's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows (inflows and outflows of cash) in future fiscal periods (e.g., earned but unused vacation leave).

The activities of the Castroville Community Services District are conducted by the District; governed by its own five-person board of directors who are responsible for policy decisions, which govern the operations of the District.

### ***Governmental fund financial statements***

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Castroville Community Services District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Castroville Community Services District uses enterprise fund types of proprietary funds for its business type activities. The Castroville Community Services District uses governmental funds types for its governmental type activities. The Castroville Community Services District uses governmental funds to account for its street light, open space, and street maintenance operations. Ad valorem property taxes are used for recreational services. In addition, as mentioned earlier, revenue from ad valorem property taxes may be used for any purpose the Castroville Community Services District is authorized to perform.

Governmental funds are used to report the same functions presented as governmental-type activities in the government-wide financial statements. The Castroville Community Services District uses governmental funds to account for its general government and recreation activities. Governmental funds financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting.

Governmental funds provide the same type of information as the government-wide financial statements, only in more detail. The governmental fund financial statements provide separate information for the general government and recreation activities of the Castroville Community Services District.

The basic governmental fund financial statements can be found on pages 14-15 of this report.

### ***Proprietary fund financial statements***

Enterprise funds are used to report the same functions presented as business-type activities. The Castroville Community Services District uses enterprise funds to account for its water, sewer and storm drain operations.

The proprietary fund financial statements provide separate information for the water, sewer, and storm drain operations, which are considered to be the major funds of the Castroville Community Services District. Proprietary funds financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

The basic proprietary fund financial statements can be found on pages 16-19 of this report.

**Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes provide a narrative description of certain items contained in the financial statements to enhance the understanding of those items. The notes to the financial statements can be found on pages 20-37 of this report.

**Other information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Castroville Community Services District's progress in funding its obligations. Required supplementary information can be found on pages 38-45 of this report.

**Government-wide Financial Analysis – Overall Financial Position**

As noted earlier, net assets may serve over time as a useful indicator of the District’s financial position. In the case of the Castroville Community Services District, assets exceeded liabilities by \$17,015,806 at the close of the most recent fiscal year.

By far the largest portion of the Castroville Community Services District’s net assets, \$10,550,814 (62 percent) reflects unrestricted net assets may be used to meet the District’s ongoing obligations to citizens and creditors. An additional portion of the Castroville Community Services District’s net assets \$6,129,967 (36 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related outstanding debt used to acquire those assets. The Castroville Community Services District uses these capital assets to provide services to citizens of Castroville. Consequently, these assets are not available for future spending. Although the Castroville Community Services District's investment in its capital assets is reported net of related debt, it is not a spendable resource. The resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Net assets of \$335,025 (2 percent), are restricted for special revenue projects.

**Castroville Community Services District**

**Table 1  
Net Assets**

Description	Governmental –Type Activities		Enterprise - Type Activities	
	2018	2017	2018	2017
Cash and other assets	\$ 342,940	\$ 438,509	\$ 11,550,376	\$ 10,845,844
Capital assets	-	-	6,129,967	6,156,971
Deferred Outflows	-	-	249,312	159,189
<b>Total assets</b>	<b>\$ 342,940</b>	<b>\$ 438,509</b>	<b>\$ 17,929,655</b>	<b>\$ 17,162,004</b>
Other liabilities	\$ 7,915	\$ 21,927	\$ 343,083	\$ 378,010
Long –term liabilities outstanding	-	-	800,275	492,424
Deferred Inflows	-	-	105,516	130,618
<b>Total liabilities</b>	<b>\$ 7,915</b>	<b>\$ 21,927</b>	<b>\$ 1,248,874</b>	<b>\$1,001,052</b>
Net assets:				
Investment in Capital Assets	\$ -	\$ -	\$ 6,129,967	\$ 6,156,971
Restricted	335,025	416,582	-	335
Unrestricted	-	-	10,550,814	10,003,646
<b>Total net assets</b>	<b>335,025</b>	<b>416,582</b>	<b>17,015,806</b>	<b>16,160,952</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 342,940</b>	<b>\$ 438,509</b>	<b>\$ 17,929,655</b>	<b>\$ 17,162,004</b>



## Government-wide Financial Analysis – Overall Financial Position

At the end of the current fiscal year, the Castroville Community Services District has reported a positive balance in its net assets. The same situation held true for the prior fiscal year.

### Castroville Community Services District

Table 2

#### Changes in Net assets

Description	Governmental –Type Activities		Enterprise–Type Activities	
	2018	2017	2018	2017
Program revenues:				
Fines, fees and charges for services	\$ 68,844	\$ 67,581	\$ 1,577,548	\$ 1,361,373
Operating grants	-	-	-	-
Other general revenues	1,992	1,329	705,898	670,599
Total Revenues	70,836	68,910	2,283,446	2,031,972
Expenses	(152,393)	(200,530)	(1,618,267)	(1,574,443)
Transfers in (out)	-	-	-	-
Change in net assets	(81,557)	(131,620)	665,179	457,529
Net Assets, beginning	416,582	548,202	16,015,602	15,703,423
Net Assets, Ending	\$ 335,025	\$ 416,582	\$ 16,680,781	\$ 16,160,952

The District’s Governmental–type activities net assets decreased in 2018 as they also did in 2017. The primary reason is that funds were provided to North County Recreation and Park District to provide extended recreation and park services.

The Business-type activity reflects an increase in net assets in 2018 compared to 2017. The primary reason for this difference is that in 2018 higher than anticipated general revenue was received due to the dissolution of redevelopment agencies.

*Proprietary funds.* The Castroville Community Services District’s proprietary funds provide the same type of information found in the government wide financial statements, but in a classified format. The reason they are similar is that business type activities in the government-wide financial statements are presented on the economic resource measurement same as the Proprietary funds presented in the fund level financial statements.

### Financial Highlights

The assets of the Castroville Community Services District exceeded its liabilities at the close of the most recent fiscal year by \$16,680,781 (*net assets*) in its business-type activities and \$335,025 for the governmental-type activities.

The Castroville Community Services District’s total liabilities increased primarily due to the \$205,194 net OPEB liability. The Castroville Water Project Assessment District Bonds was paid in full in June 2017.

### Analysis of balances and transactions of funds

The District is a multipurpose, proprietary entity, and as such, maintains multiple fund types and thus there are interfund balances. The analysis of balances is shown in tables one and two of this report, and in the section labeled “Financial Highlights.” For further detailed information refer to “Statement of Activities” on page 13, which reflects changes in net assets as well Zone 2, Governmental Fund.

**Analysis of variations between original and final budget amounts**

The District adopts its budget in accordance with California law. It is District policy to not modify the budget in total, although certain reallocations of expenditures may occasionally be made. The budget is adopted on a projected cash flow basis. It reflects items such as repayment of debt principal and projected capital expenditures as cash outflows that are not recognized as expenses under Generally Accepted Accounting Principles.

Budget variances are reviewed by District management on an ongoing basis as part of the financial management of the District. Budget variances during the year ended June 30, 2018 for Governmental activity consisted of:

	<u>Budget</u>	<u>Actual</u>	<u>Variances</u>	<u>Explanation</u>
<b>Revenues:</b>				
Investment Earnings	\$ 4,000	\$ 1,992	\$ (2,008)	Interest Earned with LAIF
Charges for Services and Other	67,030	68,844	1,814	Slightly over budgeted amounts
<b>Total Revenues</b>	<b>71,030</b>	<b>70,836</b>	<b>(194)</b>	
<b>Expenditures:</b>				
Streets, Street Lights and Open Space	56,300	52,393	3,907	Cost under budget for these services
Recreation	100,000	100,000	-	Certain funds allocated for tax measures
<b>Total Expenditures</b>	<b>156,300</b>	<b>152,393</b>	<b>3,907</b>	
<b>Excess(Deficiency) of</b>				
<b>Revenues Over Expenditures</b>	<b>\$ (85,270)</b>	<b>\$ (81,557)</b>	<b>\$ 3,713</b>	

**Capital Asset and Debt Administration**

**Capital assets.** The Castroville Community Services District’s investment in capital assets for its business type activities as of June 30, 2018, amounts to \$6,129,967(net of accumulated depreciation). Investment in capital assets includes, water equipment, pumping equipment, lift station improvements, system improvements to storm drains and building improvements. The development of the new well, Well 5 (formerly Well 2b). Additionally, the District also acquired the Moss Landing sanitation system as of July 1, 2014. The District’s investment in capital assets decreased slightly this year in comparison to last fiscal year.

**Castroville Community Services District  
Table 3  
Capital Assets  
(Net of depreciation)**

Major capital asset events during the current fiscal year included the following:

Major capital assets reported during the current fiscal year included the following:

	<b>2018</b>	<b>2017</b>
Construction in Progress	\$ -	\$ -
Sewer Equipment and Vehicles	249,307	169,498
Building and Improvements	359,383	362,587
Project, Wells, and Pipes	5,011,405	5,160,389
	<u>\$ 5,620,095</u>	<u>\$ 5,692,474</u>

Additional information on the Castroville Community Services District’s capital assets can be found in Note 3 on page 29.

**Long-term debt.** The Sewer Revenue Bond of 1983 for Moss Landing (Zone 3) has been paid in full.

**Infrastructure Assets**

The District has adopted the recommended approach of GASB Statement No. 34 with regard to infrastructure assets. All identifiable infrastructure assets have been capitalized at their purchase cost, estimated value for contributed or donated assets, or estimated cost for those items expensed in prior years and not previously capitalized.

**Economic Factors and Next Year's Rates:**

- The unemployment rate for Monterey County in which Castroville Community Services District is located is currently 4.8 percent, which is a decrease of 0.7 percent from a year ago. This is comparable to the state's average unemployment rate at 4.2 percent but higher than the national average rate of 3.9 percent
- The District is raising water rates in 2018.

All of these factors were considered in preparing the Castroville Community Services District's budget for the 2017/2018 fiscal year.

The District is required to adopt a budget by California law. Before the Districts adopts its budget, notice is hereby given that the preliminary budgets of the Castroville Community Services District of Monterey County for the fiscal year will be considered for adoption by the Board of Directors and are available at the following time and place within the District for inspection by interested taxpayers.

**Requests for Information**

This financial report is designed to provide a general overview of the Castroville Community Services District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Castroville CSD, 11499 Geil Street, Castroville, CA 95012.

**Board of Directors**

Castroville Community Services District  
Castroville, CA

**Independent Auditors' Report**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Castroville Community Services District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Castroville Community Services District, California, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and the major special revenue fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited Castroville Community Services District's June 30, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 27, 2017. The June 30, 2018 financial statements include certain prior-year summarized comparative information in total but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 2-9 and 38-41 and the Required Supplemental Information on pages 42-45 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2018, on our consideration of the District's internal control over financial reporting, compliance with laws and regulation and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and on compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting and on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Porter & Lasiewicz, CPAs*

October 16, 2018

# Castroville Community Services District

## Statement of Net Position

June 30, 2018

<b>ASSETS</b>	<b>Governmental</b>	<b>Business-Type</b>	<b>Total</b>
Cash and Investments	\$ 341,508	\$ 8,780,023	\$ 9,121,531
Investments	-	2,336,736	2,336,736
Accounts Receivable	-	138,099	138,099
Interest Receivable	1,432	38,394	39,826
Supplies Inventory	-	29,569	29,569
Prepaid Expenses	-	9,718	9,718
Organizational Costs	-	74,837	74,837
	<u>342,940</u>	<u>11,407,376</u>	<u>11,750,316</u>
Capital Assets			
Nondepreciable,	-	205,610	205,610
Depreciable, <i>Net</i>	-	5,924,357	5,924,357
Total Capital Assets	<u>-</u>	<u>6,129,967</u>	<u>6,129,967</u>
Deferred Outflows of Resources	-	249,312	249,312
<b>Total Assets</b>	<u>\$ 342,940</u>	<u>\$ 17,786,655</u>	<u>\$ 18,129,595</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 7,915	\$ 40,580	\$ 48,495
Accrued Payroll	-	96,073	96,073
Refundable Deposits	-	63,430	63,430
Net Pension Liability	-	595,081	595,081
OPEB Liability	-	205,194	205,194
Deferred Inflows of Resources	-	105,516	105,516
<b>Total Liabilities</b>	<u>7,915</u>	<u>1,105,874</u>	<u>1,113,789</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	-	6,129,967	6,129,967
Restricted for:			
Special Revenue Projects	335,025	-	335,025
Total Restricted Net Assets	<u>335,025</u>	<u>-</u>	<u>335,025</u>
Unrestricted Net Assets	-	10,550,814	10,550,814
Total Net Assets	<u>\$ 335,025</u>	<u>\$ 16,680,781</u>	<u>\$ 17,015,806</u>
<b>Total Liabilities and Net Assets (memo only)</b>	<u>\$ 342,940</u>	<u>\$ 17,786,655</u>	<u>\$ 18,129,595</u>

See Auditors' Report

The Notes to Financial Statements Are An Integral Part of This Statement

# Castroville Community Services District

## Statement of Activities

For the year ended June 30, 2018

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Operating Expenses	Fines, Fees and Charges for Services	Operating Grants	Governmental Activities	Business-type Activities	
<b>Governmental Activities:</b>						
Streets, Street Lights and Open Space	\$ 52,393	\$ 68,844	\$ -	\$ 16,451	\$ -	\$ 16,451
Recreation	100,000	-	-	(100,000)	-	(100,000)
<i>Total Governmental Activities</i>	152,393	68,844	-	(83,549)	-	(83,549)
<b>Business-type Activities:</b>						
Water	949,081	1,144,191	-	-	195,110	195,110
Sewer	501,188	240,673	-	-	(260,515)	(260,515)
Moss Landing	167,998	192,684	-	-	24,686	24,686
<i>Total Business-type Activities</i>	1,618,267	1,577,548	-	-	(40,719)	(40,719)
<b>Total Primary Government</b>	1,770,660	1,646,392	-	(83,549)	(40,719)	(124,268)
<b>General Revenues:</b>						
Property Taxes				-	553,519	553,519
Investment Earnings				1,992	152,986	154,978
Miscellaneous				-	(607)	(607)
<b>Total General Revenues</b>				1,992	705,898	707,890
<b>Change in Net Assets</b>				(81,557)	665,179	583,622
<b>Net Assets-Beginning</b>				416,582	16,015,602	16,432,184
<b>Net Assets-Ending</b>				\$ 335,025	\$ 16,680,781	\$ 17,015,806

See Auditors' Report

The Notes to Financial Statements Are An Integral Part of This Statement

# Castroville Community Services District

## Governmental Funds

### Balance Sheet

June 30, 2018

	<u>Zone 1</u> <u>Castroville</u>	<u>Zone 2</u> <u>Moro Cojo</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b><u>ASSETS</u></b>			
Cash and Investments	\$ 115,830	\$ 225,678	\$ 341,508
Interest Receivable	452	980	1,432
Total Assets	<u>\$ 116,282</u>	<u>\$ 226,658</u>	<u>\$ 342,940</u>
<b><u>LIABILITIES</u></b>			
Accounts Payable	\$ 6,084	\$ 1,831	\$ 7,915
Total Liabilities	<u>6,084</u>	<u>1,831</u>	<u>7,915</u>
<b><u>FUND BALANCES</u></b>			
Special Revenue Fund	110,198	224,827	335,025
Total Fund Balances	<u>110,198</u>	<u>224,827</u>	<u>335,025</u>
Total Liabilities and Fund Balances	<u>\$ 116,282</u>	<u>\$ 226,658</u>	<u>\$ 342,940</u>



# Castroville Community Services District

## Governmental Funds

### Statement of Revenues, Expenditures and Changes in Fund Balances For the Year Ended June 30, 2018

	<b>Zone 1 Castroville</b>	<b>Zone 2 Moro Cojo</b>	<b>Total Governmental Funds</b>
<b><u>REVENUES</u></b>			
User Fees	\$ 32,539	\$ 36,305	\$ 68,844
Interest Income	1,992	-	1,992
Total Revenues	<u>34,531</u>	<u>36,305</u>	<u>70,836</u>
<b><u>EXPENDITURES</u></b>			
Current:			
Streets, Street Lights and Open Space	44,870	7,523	52,393
Recreation	100,000	-	100,000
Total Expenditures	<u>144,870</u>	<u>7,523</u>	<u>152,393</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(110,339)</u>	<u>28,782</u>	<u>(81,557)</u>
Net Change In Fund Balances	(110,339)	28,782	(81,557)
Beginning Fund Balances	220,537	196,045	416,582
Ending Fund Balances	<u>\$ 110,198</u>	<u>\$ 224,827</u>	<u>\$ 335,025</u>

# Castroville Community Services District

## Statement of Net Position - Proprietary Funds

June 30, 2018 with Comparative 2017 Totals

### ASSETS

	6/30/2018				6/30/2017
	Water Castroville	Sewer Castroville & Moro Cojo	Sewer Moss Landing	Total	
<b><u>CURRENT ASSETS</u></b>					
Cash and Cash Equivalents	\$ 2,010,094	\$ 380,192	\$ 26,229	\$ 2,416,515	\$ 2,424,059
Cash and Cash Equivalents, Designated for Capital Additions	1,438,306	4,308,733	552,151	6,299,190	5,593,935
Investments	-	2,336,736	-	2,336,736	2,328,447
Cash - Designated for Customer Deposits	64,318	-	-	64,318	60,421
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$1,200	51,539	-	86,560	138,099	78,484
Interest Receivable	15,318	20,453	2,623	38,394	19,360
Grant Receivable	-	-	-	-	58,022
Due From Other Fund	-	143,000	-	143,000	168,000
Supplies Inventory	26,876	2,693	-	29,569	27,057
Prepaid Expenses	4,373	4,373	972	9,718	8,765
Total Current Assets	3,610,824	7,196,180	668,535	11,475,539	10,766,550
<b><u>NON-CURRENT ASSETS</u></b>					
Property Plant and Equipment, Net of Accumulated Depreciation, Note 3	4,381,744	1,386,263	361,960	6,129,967	6,156,971
Total Property, Plant and Equipment	4,381,744	1,386,263	361,960	6,129,967	6,156,971
<b><u>RESTRICTED ASSETS</u></b>					
Cash and Cash Equivalents (Restricted)	-	-	-	-	335
Total Restricted Assets	-	-	-	-	335
<b><u>OTHER ASSETS</u></b>					
Organizational Costs, Net of Accumulated Amortization of \$48,832	-	74,837	-	74,837	78,959
Total Other Assets	-	74,837	-	74,837	78,959
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>					
Deferred Outflows of Resources	112,190	112,189	24,933	249,312	159,189
Total Deferred Outflows of Resources	112,190	112,189	24,933	249,312	159,189
Total Assets	\$ 8,104,758	\$ 8,769,469	\$ 1,055,428	\$ 17,929,655	\$ 17,162,004
Adjustment for elimination of interfund loan between Sewer and Moss Landing funds for consolidation purposes				(143,000)	
Net Position of Business-Type Activities				\$ 17,786,655	

See Auditors' Report

The Accompanying Notes Are An Integral Part of These Financials Statements

**Castroville Community Services District**  
Statement of Net Position - Proprietary Funds *(continued)*  
June 30, 2018 with Comparative 2017 Totals

**LIABILITIES AND NET ASSETS**

	<u>6/30/2018</u>				<u>6/30/2017</u>
	<u>Water Castroville</u>	<u>Sewer Castroville &amp; Moro Cojo</u>	<u>Sewer Moss Landing</u>	<u>Total</u>	
<b><u>CURRENT LIABILITIES</u></b>					
Accounts Payable	\$ 32,065	\$ 4,176	\$ 4,339	\$ 40,580	\$ 14,143
Accrued Payroll	43,352	43,193	9,528	96,073	87,326
Due to Other Fund	-	-	143,000	143,000	168,000
Customer Deposits	63,430	-	-	63,430	59,546
Total Current Liabilities	<u>138,847</u>	<u>47,369</u>	<u>156,867</u>	<u>343,083</u>	<u>329,015</u>
<b><u>LONG-TERM LIABILITIES</u></b>					
Other Post Employment Benefits	92,337	92,337	20,520	205,194	48,995
Net Pension Liability	267,788	267,787	59,506	595,081	492,424
Total Long-Term Liabilities	<u>360,125</u>	<u>360,124</u>	<u>80,026</u>	<u>800,275</u>	<u>541,419</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>					
Deferred Inflows of Resources	47,482	47,482	10,552	105,516	130,618
Total Deferred Inflows of Resources	<u>47,482</u>	<u>47,482</u>	<u>10,552</u>	<u>105,516</u>	<u>130,618</u>
Total Liabilities	<u>546,454</u>	<u>454,975</u>	<u>247,445</u>	<u>1,248,874</u>	<u>1,001,052</u>
<b><u>NET ASSETS</u></b>					
Invested in Capital Assets, Net of Related Debt	4,381,744	1,386,263	361,960	6,129,967	6,156,971
Restricted for Monterey County Assessment Bond	-	-	-	-	335
Unrestricted	3,176,560	6,928,231	446,023	10,550,814	10,003,646
Total Net Assets	<u>\$ 7,558,304</u>	<u>\$ 8,314,494</u>	<u>\$ 807,983</u>	<u>\$ 16,680,781</u>	<u>\$ 16,160,952</u>
Total Liabilities and Net Assets	<u>\$ 8,104,758</u>	<u>\$ 8,769,469</u>	<u>\$ 1,055,428</u>	<u>\$ 17,929,655</u>	<u>\$ 17,162,004</u>
Adjustment for elimination of interfund loan between Sewer and Moss Landing funds for consolidation purposes				(143,000)	
Net Position of Business-Type Activities				<u>\$ 17,786,655</u>	

**Castroville Community Services District**  
**Statement of Activities and Changes in Net Assets - Proprietary Funds**  
For the Year Ended June 30, 2018 with Comparative 2017 Totals

	<b>6/30/2018</b>				<b>6/30/2017</b>
	<b>Water</b>	<b>Sewer Castroville</b>	<b>Sewer</b>	<b>Total</b>	
	<b>Castroville</b>	<b>&amp; Moro Cojo</b>	<b>Moss Landing</b>		
Water Sales	\$ 1,095,013	\$ -	\$ -	\$ 1,095,013	\$ 936,610
Property Tax and User Fees	-	676,039	280,424	956,463	712,767
New Service and Connection Fees	49,178	30,413	-	79,591	36,590
ROPS Pass-Through Income	-	-	-	-	205,959
Other Revenues	28,244	2,020	930	31,194	77,846
<b>Total Operating Revenues</b>	<b>1,172,435</b>	<b>708,472</b>	<b>281,354</b>	<b>2,162,261</b>	<b>1,969,772</b>
<b><u>OPERATING EXPENSES</u></b>					
<b>General Operation Expenses</b>					
Depreciation Expense	307,402	76,829	28,005	412,236	410,877
Payroll and Related Expenses	79,461	78,044	17,809	175,314	133,105
Utility Expense	97,154	-	-	97,154	89,553
Water and Sewer Line Expenses	6,323	234	-	6,557	34,104
General Operations	20,477	5,230	1,248	26,955	31,310
Meter Expenses	35,729	-	-	35,729	94,524
Automobile Expenses	4,716	5,404	1,531	11,651	19,490
Lift Station Expenses	-	16,736	12,646	29,382	32,536
Well Site Expenses	17,333	-	-	17,333	26,762
Storm Drain Expenses	-	8,676	-	8,676	6,602
Hydrant Expenses	617	-	-	617	-
<b>Administrative Expenses</b>					
Payroll and Related Expenses	225,167	225,026	57,543	507,736	467,098
Consulting Expenses	61,151	15,628	41,800	118,579	51,178
Office Expenses	28,208	18,649	4,555	51,412	41,247
Retirement Plan Contributions	36,736	33,730	-	70,466	70,480
Billing Expenses	15,573	-	-	15,573	22,277
Insurance Expense	9,332	9,333	2,072	20,737	23,269
Utility Expenses	3,380	3,505	789	7,674	6,925
Bond, Loan and Certificate Expense	-	575	-	575	673
Bad Debts	322	-	-	322	269
<b>Total Operating Expenses</b>	<b>949,081</b>	<b>497,599</b>	<b>167,998</b>	<b>1,614,678</b>	<b>1,562,279</b>
<b><u>NON-OPERATING REVENUES and (EXPENSES)</u></b>					
Interest Revenue	44,652	68,873	7,660	121,185	62,200
Amortization of Investment Discount	-	(3,589)	-	(3,589)	(4,122)
Interest on Long-Term Debt	-	-	-	-	(5,267)
Debt Administration Costs	-	-	-	-	(2,775)
<b>Total Non-operating Revenues (Expenses)</b>	<b>44,652</b>	<b>65,284</b>	<b>7,660</b>	<b>117,596</b>	<b>50,036</b>
<b>Net Income Before Transfers</b>	<b>268,006</b>	<b>276,157</b>	<b>121,016</b>	<b>665,179</b>	<b>457,529</b>
<b><u>CHANGE IN NET ASSETS</u></b>	<b>268,006</b>	<b>276,157</b>	<b>121,016</b>	<b>665,179</b>	<b>457,529</b>
<b><u>NET ASSETS</u></b>					
Net Assets, Beginning of Year	7,345,250	8,109,300	706,402	16,160,952	15,703,423
Restatement for OPEB Liability	(54,952)	(70,963)	(19,435)	(145,350)	-
Net Assets, Beginning of Year, Restated	7,290,298	8,038,337	686,967	16,015,602	15,703,423
<b>Net Assets, End of Year</b>	<b>\$ 7,558,304</b>	<b>\$ 8,314,494</b>	<b>\$ 807,983</b>	<b>\$ 16,680,781</b>	<b>\$ 16,160,952</b>

**Castroville Community Services District**  
**Statement of Cash Flows - Proprietary Funds**  
For the Year Ended June 30, 2018 with Comparative 2017 Totals

	6/30/2018				6/30/17
	Water Castroville	Sewer Castroville & Moro Cojo	Sewer Moss Landing	Total	
<b><u>Cash Flows From Operating Activities:</u></b>					
Cash Received from Customers	\$ 1,140,166	\$ 706,452	\$ 224,834	\$ 2,071,452	\$ 1,675,801
Other Cash Receipts	86,266	2,020	930	89,216	805,295
Cash Paid to Suppliers for Services and Inventories	(312,892)	(118,716)	(62,647)	(494,255)	(608,002)
Cash Paid to Employees for Services	(300,691)	(299,134)	(74,478)	(674,303)	(599,011)
Net Cash Provided By Operations	<u>612,849</u>	<u>290,622</u>	<u>88,639</u>	<u>992,110</u>	<u>1,274,083</u>
<b><u>Cash Flows from Non-Capital Financing Activities:</u></b>					
Organizational Costs	-	533	-	533	-
Debt Administration Costs	-	-	-	-	(2,775)
Interest on Long Term Debt	-	-	-	-	(5,267)
Payment and Current Maturities of Long-Term Debt	-	-	-	-	(85,000)
Transfers Between Funds	-	25,000	(25,000)	-	-
Net Cash (Used) By Non-Capital Financing Activities	<u>-</u>	<u>25,533</u>	<u>(25,000)</u>	<u>533</u>	<u>(93,042)</u>
<b><u>Cash Flows from Capital Financing Activities:</u></b>					
Purchase of Property and Equipment	(157,955)	(177,250)	(50,027)	(385,232)	(22,679)
Net Cash (Used) By Non-Capital Financing Activities	<u>(157,955)</u>	<u>(177,250)</u>	<u>(50,027)</u>	<u>(385,232)</u>	<u>(22,679)</u>
<b><u>Cash Flows Provided (Used) by Investing Activities:</u></b>					
Purchase of Investments	-	(8,289)	-	(8,289)	(4,985)
Interest Earned on Operating Funds	36,147	59,773	6,231	102,151	52,768
Net Cash Flows Provided (Used) by Investing Activities	<u>36,147</u>	<u>51,484</u>	<u>6,231</u>	<u>93,862</u>	<u>47,783</u>
Net Increase (Decrease) in Cash	491,041	190,389	19,843	701,273	1,206,145
Cash and Cash Equivalents at Beginning of Year	3,021,677	4,498,536	558,537	8,078,750	6,872,605
Cash and Cash Equivalents at End of Year	<u>\$ 3,512,718</u>	<u>\$ 4,688,925</u>	<u>\$ 578,380</u>	<u>\$ 8,780,023</u>	<u>\$ 8,078,750</u>
<b><u>Cash at End of Year is Composed of:</u></b>					
Cash, Restricted	\$ -	\$ -	\$ -	\$ -	\$ 335
Cash, Unrestricted	3,512,718	4,688,925	578,380	8,780,023	8,078,415
Total Cash	<u>\$ 3,512,718</u>	<u>\$ 4,688,925</u>	<u>\$ 578,380</u>	<u>\$ 8,780,023</u>	<u>\$ 8,078,750</u>
<b><u>Reconciliation of Operating Income(Loss) to Net Cash Provided (Used) by Operating Activities</u></b>					
Operating Income (loss)	\$ 223,354	\$ 210,873	\$ 113,356	\$ 547,583	\$ 407,493
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	307,402	76,829	28,005	412,236	410,877
Changes in assets and liabilities:					
Accounts Receivable	(4,025)	-	(55,590)	(59,615)	(10,166)
Grant Receivable	58,022	-	-	58,022	521,490
Prepaid Expenses	(429)	(428)	(96)	(953)	355
Supplies Inventory	(2,792)	280	-	(2,512)	630
Deferred Outflows	(40,555)	(40,555)	(9,013)	(90,123)	(110,997)
Accrued Payroll and Related Items	3,937	3,936	874	8,747	1,192
Deposits	5,785	(1,901)	-	3,884	(3,550)
Accounts Payable	22,369	1,808	2,260	26,437	(43,830)
Net Pension Liability	46,195	46,194	10,268	102,657	167,001
Net OPEB Liability	4,882	4,882	1,085	10,849	-
Deferred Inflows	(11,296)	(11,296)	(2,510)	(25,102)	(45,412)
Note Payable	-	-	-	-	(21,000)
Net Cash Provided (Used) by Operating Activities	<u>\$ 612,849</u>	<u>\$ 290,622</u>	<u>\$ 88,639</u>	<u>\$ 992,110</u>	<u>\$ 1,274,083</u>

See Auditors' Report

The Accompanying Notes Are An Integral Part of These Financial Statements

# Castroville Community Services District

Notes to Financial Statements  
For the Year Ended June 30, 2018

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

### **Description of Operations:**

Castroville Community Services District (the "District") is authorized by California Government Code Sections 6100 et seq. The District provides water, sewer, storm drain, street lights, open space, street maintenance and recreational services to residential and commercial customers in and around the Township of Castroville, California and sewer services for Moss Landing, California.

The District has defined its reporting entity in accordance with GASB Statement No. 14, "The Financial Reporting Entity," which provides guidance for determining which governmental activities, organizations, and functions should be included in its reporting entity. The District's reporting entity includes all significant operation and revenue sources which the District Board of Directors exercises oversight responsibility. Oversight responsibility is determined on the basis of selection of the governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, and the scope of public service.

### **Basis of Presentation:**

The Castroville Community Services District's financial statements have been prepared in accordance with Accounting Principles Generally Accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**Government-wide Statements:** The *Statement of Net Assets* and the *Statement of Activities* display information about the primary government (the District). These statements include the financial activities of the overall District government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the District. *Governmental activities*, which are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from *business-type activities*, which are financed, in whole or in part, by fees charged to external parties.

**Fund Financial Statements:** The fund financial statements provide information about the District's funds. Separate statements for fund categories – *governmental and proprietary* -are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. The principal operating revenues of the water and sewer funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. *Non-operating* revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Financial reporting is based upon all Governmental Accounting Standards Board (GASB) pronouncements, as well as the Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989 are not followed in the preparation of the accompanying financial statements. The District reported the following major funds in the accompanying financial statements:

# Castroville Community Services District

Notes to Financial Statements  
For the Year Ended June 30, 2018

## ***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):***

Zone 1 Water Fund (Proprietary) – This fund accounts for all of the District’s water resources.

Zone 1 and 2 Sewer Fund (Proprietary) – This Fund accounts for all of the District’s sewer operations.

Zone 3 Sewer Fund Moss Landing (Proprietary) – This Fund accounts for all of the Moss Landing sewer operations.

Zone 1 Castroville (Governmental) – This fund accounts for the income and expenditures related to street lighting and recreation activities in Zone 1.

Zone 2 (Governmental) – This fund accounts for the income and expenditures related to the open space, street lighting, and Streets activities in Zone 2.

### **Basis of Accounting:**

Castroville Community Services District uses the accrual method of accounting for financial statement reporting purposes. Under the accrual method revenues are recognized when they are earned, and expenses are recognized when they are incurred.

### **Reporting Entity:**

The District's reporting entity includes all significant operation and revenue sources for which the District Board of Directors exercises oversight responsibility as determined under the criteria established by the National Council on Governmental Accounting Statement No. 3, as adopted by FASB. Oversight responsibility is determined based on selection of the governing board, designation of management, ability to significantly influence operations, accountability for fiscal matters, and the scope of public service. The financial statements of Castroville Water District include the financial activities of the District as well as transactions made by the fiscal agent under authority granted by the District in various resolutions authorizing the issuance of improvement bonds and water certificates. The District is exempt from federal income and state franchise taxes.

### **Implementation of New GASB Pronouncements**

GASB Statement No. 75 - In June 2016, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement is effective for fiscal years beginning after June 15, 2017. The District has implemented this statement in the current year.

### **Cash and Cash Equivalents:**

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less. The District maintains bank accounts at financial institutions located within the Counties of Monterey and San Francisco.

# Castroville Community Services District

Notes to Financial Statements  
For the Year Ended June 30, 2018

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

Cash and cash equivalents are summarized as follows:

	<u>2018</u>
FDIC Insured Accounts	\$ 282,050
Funds in County Treasury	-
Funds in CAMP	344,386
Funds in LAIF	8,494,295
Petty Cash	800
Total Cash	<u>\$9,121,531</u>

It is the District's policy to maintain all investments in insured accounts in the District's name. Assessments in excess of estimated current bond requirements of the District are deposited in the Local Agency Investment Fund. Said cash earns interest based on the fund's prorata share of the cash in the fund. In accordance with the Governmental Accounting Standards Board Statement 3 (i.e., Deposits with Financial Institutions, GASB 3), cash is to be categorized to indicate the level of credit risk assumed by the Fund at year end. Substantially, all investments are insured or registered and held by the Fund or its agent in the agent's nominee name, with subsidiary records listing the Fund as the legal owner. Accordingly, said cash investment would be included in "Category 1" as defined by GASB 3. See Note 2 for further discussion of Cash & Cash Equivalents.

### **Investments**

In December 2012, the District entered into an agreement with the CalTrust Joint Powers Authority to invest in the CalTrust Money Market Fund. The fair market value of the District's investment in the CalTrust Medium Term Fund at June 30, 2018 was **\$2,336,736**. The District's investment policy is based upon the provisions of the California Government Code commencing with Section 53600 governing the investments of local agency funds and deposits of public monies.

### **Accounts Receivable:**

Accounts receivable as reflected in the financial statements are from customers whose property is located within the County of Monterey. Accounts receivable consists of amounts due from customers for water and sewer charges.

### **Supplies Inventories**

Inventories are valued at cost, which approximates market. The District's inventory consists of parts and components for wells, lift stations and other infrastructure kept onsite.

### **Interfund Transfers:**

Expenses are allocated between the Water Fund (45%), Sewer Fund (45%) and Moss Landing Sewer fund (10%). All expenses are paid out of the Water Fund's checking account. These expenses are shown as Interfund Transfers on the Statement of Net Activities.

### **Interfund Balances:**

On the fund financial statements, interfund loans are classified as "due to/from other funds" on the balance sheet. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position.



# Castroville Community Services District

Notes to Financial Statements  
For the Year Ended June 30, 2018

## ***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):***

### **Capital Assets:**

Minor expenditures for renewals and betterments are charged to expense. Major expenditures for renewals and betterments are capitalized. In cases where assets are donated to the District, construction costs or estimated market values are recorded. Costs of assets sold, retired or otherwise disposed of have been eliminated from the accounts, and gains or losses on disposition are included in operations.

The cost of property and equipment is depreciated over the estimated lives of the assets from date of acquisition based on the straight-line method of depreciation over the following estimated useful lives:

<b><u>Asset Category</u></b>	<b><u>Useful Lives</u></b>
Buildings and Improvements	5-35 years
Water Equipment, and Vehicles	3-30 years
Sewer Equipment, and Vehicles	3-50 years
Hydrants	10-45 years
Meters	5-30 years
Projects, Wells, and Pipes	10-40 years
SCADA System	5 years
Telemetry System	5-7 years

### **Compensated Absences:**

The District has recorded an accrual for compensated absences in accordance with the District's policy of paying for unused vacation time of employees. Sick leave is not included in the accrual as the District does not pay for unused sick time upon employee termination.

Employees earn vacation leave after six months of continuous employment as follows:

<b><u>Time of Employment</u></b>	<b><u>Accrual of Vacation Leave</u></b>
Six months to one year	40.00 hours earned
One to five years	6.67 hours per month
Five to ten years	10.00 hours per month
Ten or more years	13.33 hours per month

### **Customer Deposits:**

New customers are required to provide deposits for service. The customer deposits held by the District are refunded upon termination of service or on written request after one year.

### **Restricted and Designated Assets:**

Certain cash and investments of the District are classified as restricted because their uses are limited by commitments to customers for service deposits and to bondholders in accordance with bond covenants. Also, certain assets are classified as designated due to the Board of Directors designation for capital additions.

# Castroville Community Services District

Notes to Financial Statements  
For the Year Ended June 30, 2018

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

### **Capital Asset Contributions**

Some capital assets may be acquired using Federal and State grant funds, or they may be contributed by developers or other governments. These contributions are accounted for as revenues at the time the capital assets are contributed. There were no assets donated to the District during the year.

### **Long-Term Obligations**

Long-term debt and other long-term obligations are reported as liabilities in the Proprietary Fund Type Statement of Net Assets. Debt principal payments are reported as decreases in the balance of the liability on the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

### **Pensions**

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

### **Net Assets/Fund Equity**

The financial statements are presented using the net asset method. Net assets are categorized as invested capital assets (net of related debt), restricted and unrestricted.

- Invested in Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted Net Assets – This category presents external restrictions on net assets imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Assets – This category represents net assets of the District not restricted for any project or other purpose.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred on debt issued to finance construction is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

### **Fund Balances – Governmental Funds**

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balances of the governmental funds are classified as follows:

**Non-spendable** – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

# Castroville Community Services District

Notes to Financial Statements  
For the Year Ended June 30, 2018

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

### **Fund Balances – Governmental Funds (continued)**

**Restricted** – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Committed** – amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the district. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the governing board.

**Assigned** – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the district's adopted policy, only the governing board or chief business officer may assign amounts for specific purposes.

**Unassigned** – contains all other spendable amounts.

The District applies restricted resources first when expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available. When expenditures are incurred for which committed, assigned, or unassigned fund balances are available, the district considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

### **Revenues – Operating:**

Revenues, such as charges for services, result from exchange transactions, in which each party gives and receives essentially equal value. On an accrual basis, revenue from charges for service is recognized in the period in which the service has been completed. The principal operating revenues of the water and sewer funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

### **Revenues – Non-operating:**

Revenues that result from non-exchange transactions or ancillary activities in which the District receives value without directly giving equal value in return, include investment earnings, subsidies, property taxes and ROPS revenues. On an accrual basis, non-exchange transactions are recognized in the period in which the ancillary activity takes place.

### **Use of Estimates**

The preparation of financial statements in conformity with GAAP requires that management make estimates and assumptions affecting the reported amounts of assets, liabilities, revenues, and expenses, as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Significant items in the District's financial statements subject to such estimates and assumptions include the valuations of the Net Pension Liability. The Net Pension Liability is reported to the District by CalPERS and as of the date of the financial statements the report is not completed. However, a preliminary estimate was provided by CalPERS in September 2018 and management believes this estimate will not materially change in the future.

## Castroville Community Services District

Notes to Financial Statements  
For the Year Ended June 30, 2018

**NOTE 2 – CASH AND INVESTMENTS:**

California law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the District’s cash on deposits or first trust deed mortgage notes with a value of 150% of the deposit as collateral for all public agency deposits. Under California law this collateral remains with the institution but is held in the District’s name and places the District ahead of general creditors of the institution.

Cash and Investments at June 30, 2018 are classified on the Financial Statements as follows:

Statement of Net Assets	Water Fund	Sewer Fund	Moss Landing Fund	Governmental Funds	Total
Cash and Investments	\$3,512,718	\$7,025,661	\$ 578,380	\$ 341,508	\$11,458,267
Restricted Cash and Investments	-	-	-	-	-
Total Cash and Investments	<u>\$3,512,718</u>	<u>\$7,025,661</u>	<u>\$ 578,380</u>	<u>\$ 341,508</u>	<u>\$11,458,267</u>

The District’s Investment Policy and the California Government Code allow the District to invest in the following, provided the credit ratings of the issuers are acceptable to the District. The following also identifies certain provisions of the District and California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligation	5 years	N/A	100%	No Limit
U.S. Agency Securities	5 years	N/A	100%	No Limit
Bankers Acceptances	180 days	N/A	40%	30%
Commercial Paper	270 days	A-1	25%	10%
Negotiable Certificates of Deposit	5 years	N/A	30%	No Limit
Repurchase Agreements	1 year	N/A	100%	No Limit
Reverse Repurchase Agreements	92 days	N/A	20%	No Limit
Demand Deposits	N/A	Highest	20%	10%
Medium Term Notes	5 years	A	30%	No Limit
Money Market Mutual Funds	N/A	Highest	20%	10%
Asset-Backed Securities	5 years	AA	20%	No Limit
State of California Obligations	5 years	N/A	100%	No Limit
Local Agency Investment Fund	N/A	N/A	\$50 million	No Limit

The District must maintain required amounts of cash and investments with trustees or fiscal agents based on the terms of their debt agreements. These funds are unexpended bond proceeds or are pledged reserves to be used if the District fails to meet its obligations under the debt issues. The California Government Code requires these funds to be invested in accordance with District resolutions, bond indentures or State statutes.

## Castroville Community Services District

Notes to Financial Statements  
For the Year Ended June 30, 2018

**NOTE 2 – CASH AND INVESTMENTS (continued):**

The table below identifies the investment types that are authorized for investments held by fiscal agents.

<b>Authorized Investment Type</b>	<b>Maximum Maturity</b>	<b>Minimum Credit Quality</b>	<b>Maximum Percentage of Portfolio</b>
Local District Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State of California Obligations	5 years	None	100%
California Local District Obligations	5 years	None	None
U.S. Agencies	5 years	None	None
Bankers Acceptances	180 days	None	40%
Commercial Paper	270 days	A1/P1/F1	25%
Negotiable Certificates of Deposit	5 years	None	30%
Repurchase Agreements	1 year	Various	None
Reverse Repurchase Agreements	92 days	A	20% of Base
Medium Term Notes	5 years	Various	30%
Money Market Mutual Funds	N/A	None	20%
Collateralized Bank Deposits	5 years	AA	None
Mortgage Pass-Through Securities	5 years	None	20%
Time Deposits	5 years	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Country Pooled Investment Funds	N/A	None	None
Non-Negotiable Certificates of Deposit	1 year	None	100%

Interest rate risk is defined as the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity the more sensitive the investment is to market fluctuations.

The sensitivity of the District's investments is summarized by the following table. This table shows the maturity terms of the District's investments.

<b>Investment Type</b>	<b>12 Months or Less</b>	<b>13 to 24 Months</b>	<b>Total</b>
LAIF	\$ 8,494,295	\$ -	\$ 8,494,295
CAMP	344,386	-	344,386
CalTrust	-	2,336,736	2,336,736
Total Cash Equivalents and Investments	<u>\$ 8,838,681</u>	<u>\$ 2,336,736</u>	11,175,417
Cash in Bank and on Hand			282,850
Total Cash and Investments			<u>\$ 11,458,267</u>

# Castroville Community Services District

Notes to Financial Statements  
For the Year Ended June 30, 2018

**NOTE 2 – CASH AND INVESTMENTS (continued):**

**Local Agency Investment Fund (LAIF)**

The Local Agency Investment Fund was created by statute and began in 1977. The Local Agency Investment Fund is a voluntary program for California local governments and special districts. The Fund is administered by the California State Treasurer and is enabled by Section 16429.1 et seq. of the California Government Code.

All securities purchased within LAIF are purchased under the authority of Government Code Section 16430 and 16480.4. All investments are purchased at market and a market valuation is conducted monthly. All District deposits with LAIF are available on demand.

**California Asset Management Program (CAMP)**

The California Asset Management Program is a Joint Powers Authority formed in 1989 by treasurers and finance directors of several local government agencies to provide professional investment services to California public agencies at a reasonable cost. CAMP offers investors the option of investing in either the CAMP money market portfolio, which is rated AAAM by Standard & Poor’s, or other individually managed portfolios.

**CalTrust Medium Term Fund**

CalTrust is a Joint Powers Authority formed by the CSAC Finance Corporation and the League of California Cities to provide a convenient method for local agencies to pool their assets for investment. CalTrust offers local agencies the option of investing in either the Money Market, Short-Term or Medium-Term accounts, which are rated AAAM by Standard & Poor’s.

**Credit Risk**

Credit risk is measured by nationally recognized statistical agencies such as Standard & Poor’s. Credit risk is simply the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The below table shows the credit ratings of the Districts Cash and Investments.

Investment Type	Rating as of Year-End		Total	% of Total
	AAAF	AAAM		
Monterey County Pool	\$ -	\$ -	\$ -	0%
CAMP Money Market Fund	-	344,386	344,386	3%
CalTrust Medium-Term Fund	2,336,736	-	2,336,736	20%
Total Cash Equivalents	\$ 2,336,736	\$ 344,386	2,681,122	
<b>Not Rated:</b>				
LAIF			8,494,295	74%
Cash in Bank and on Hand			282,850	3%
Total Cash and Investments			\$ 11,458,267	

## Castroville Community Services District

Notes to Financial Statements  
For the Year Ended June 30, 2018

**NOTE 3 – CAPITAL ASSETS:**

**Capital assets at June 30, 2018 comprise:**

	<u>June 30, 2017</u>	<u>Additions</u>	<u>Dispositions</u>	<u>June 30, 2018</u>
<i>Capital assets not being depreciated:</i>				
Land	\$ 205,610	\$ -	\$ -	\$ 205,610
Construction in Progress	-	-	-	-
<i>Total Capital Assets not being Depreciated</i>	<u>205,610</u>	<u>-</u>	<u>-</u>	<u>205,610</u>
<i>Capital Assets being Depreciated:</i>				
Buildings and Improvements	665,979	6,210	-	672,189
Water Equipment, and Vehicles	464,673	71,802	-	536,475
Sewer Equipment and Vehicles	890,296	184,641	-	1,074,937
Hydrants	37,292	-	-	37,292
Meters	358,466	-	-	358,466
Projects, Wells, and Pipes	10,111,755	122,579	-	10,234,334
Telemetry System	181,825	-	-	181,825
<i>Total Capital Assets being Depreciated</i>	<u>12,710,286</u>	<u>385,232</u>	<u>-</u>	<u>13,095,518</u>
<i>Less: Accumulated Depreciation:</i>				
Buildings and Improvements	(303,392)	(9,414)	-	(312,806)
Water Equipment, and Vehicles	(405,058)	(12,350)	-	(417,408)
Sewer Equipment and Vehicles	(720,798)	(104,832)	-	(825,630)
Hydrants	(25,633)	(882)	-	(26,515)
Meters	(178,232)	(11,948)	-	(190,180)
Projects, Wells, and Pipes	(4,951,366)	(271,563)	-	(5,222,929)
Telemetry System	(174,446)	(1,247)	-	(175,693)
<i>Total Accumulated Depreciation</i>	<u>(6,758,925)</u>	<u>(412,236)</u>	<u>-</u>	<u>(7,171,161)</u>
 Net Capital Assets being Depreciated	 <u>5,951,361</u>	 <u>(27,004)</u>	 <u>-</u>	 <u>5,924,357</u>
 <i>Business-Type Activity Capital Assets, Net</i>	 <u>\$ 6,156,971</u>	 <u>\$ (27,004)</u>	 <u>\$ -</u>	 <u>\$ 6,129,967</u>

Depreciation expense charged to the water and sewer functions for the years ending June 30, 2018 and 2017 was \$412,236 and 410,877, respectively.

**NOTE 4 – DUE TO/FROM OTHER FUND:**

As a result of the consolidation with the Moss Landing Sanitation District in July 2014, the District's sewer fund has paid the USDA Bond obligation of the Moss Landing Sanitation District in the amount of \$143,000. Therefore, the total amount of the bond or \$234,000 was due from the Moss Landing Sewer Fund to the Zone 1 Sewer Fund. As of June 30, 2018, \$143,000 was due from the Moss Landing Sewer fund to the Zone 1 Sewer fund.

# Castroville Community Services District

Notes to Financial Statements  
For the Year Ended June 30, 2018

## **NOTE 5 - DEFINED BENEFIT PENSION PLAN:**

### **Plan Description**

The District contributes to the California Public Employee's Retirement System (CalPERS), a cost-sharing multiple-employer public employee defined benefit pension plan. The Plan operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. PERS acts as a common investment and administrative agent for all participating public entities within the State of California. Benefit Provisions and other requirements are established by state statute. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. The District's plan is of the "Miscellaneous 2% at 60 Risk Pool" and "2% at 62 Risk Pool". Those employees who first established CalPERS membership prior to January 1, 2013 without a break in service greater than six months participate in the "Miscellaneous 2% at 60 Risk Pool". Employees hired on or after January 1, 2013 who participate in CalPERS for the first time and those employees not eligible for reciprocity with another California public retirement system participate in the "Miscellaneous 2% at 62 Risk Pool". The employer contribution rate for those participating in the Miscellaneous 2% at 60 Risk Pool is 7% and the employer contribution rate for those employees participating in the Miscellaneous 2% at 62 Risk Pool is 6.5%.

### **Benefits Provided**

PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit includes one of the following: Basic Death Benefit, Post-Retirement Survivor Allowance or Optional Settlement 2W Death Benefit.

### **Employees Covered**

Active	4
Transferred	1
Separated	1
Retired	4

### **Funding Policy**

All full-time District employees must participate in PERS, based on state statute. The Plan requires participants to contribute an amount of 7% or 6.5% of their annual covered salary determined by actuarial valuation and which plan applies to employees as described in the paragraph above. The contribution rate for the June 30, 2018 fiscal year was 8.303% for those employees hired prior to January 1, 2013 and 6.908% for those employees hired on or after January 1, 2013 of annual covered payroll. For the years ended June 30, 2018 and June 30, 2017, the contributions recognized as part of pension expense for the Plan was \$64,104 and \$48,381.

### **Pension Liability, Pension Expense and Deferred Outflow/Inflows of Resources Related to Pension**

The District's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability as of June 30, 2016 was \$492,424 and June 30, 2017 was \$595,081. For the years ended June 30, 2018 and 2017, the District recognized pension expense of \$64,103 and \$58,972.



## Castroville Community Services District

Notes to Financial Statements  
For the Year Ended June 30, 2018

**NOTE 5 - DEFINED BENEFIT PENSION PLAN, (continued):**

**Pension Liability, Pension Expense and Deferred Outflow/Inflows of Resources Related to Pension, (continued)**

The net difference between projected and actual investment earnings on pension plan investments is amortized over a five-year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period, and the remaining net difference is amortized over the remaining amortization periods. The net difference between projected and actual investment earnings on pension plan investments in the schedule of collective pension amounts represents the unamortized balance relating to the current measurement period and the prior measurement periods on a net basis. Deferred Outflows of Resources and Deferred Inflows of Resources relating to differences between expected and actual experience and changes of assumptions are amortized over the expected average remaining service lifetime (EARSL) of members provided with pensions through the Plan determined as of the beginning of the related measurement period. The EARSL for PERF C for the June 30, 2017 measurement date is 3.8 years, which was obtained by dividing the total service years of 490,088 by 130,595 (the total number of participants: active, inactive, and retired) in PERF C.

The District's proportionate share of the net pension liability as of June 30, 2018 and 2017, was as follows:

	% of PERF-C	% of Miscellaneous Pool
Proportion - June 30, 2017	0.00600%	0.01510%
Proportion - June 30, 2016	0.56900%	0.01418%
Change-Increase (Decrease)	0.56300%	-0.00092%

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 57,671	\$ -
Differences between actual and expected experience	981	14,060
Changes in assumptions	121,771	9,285
Net differences between projected and actual earnings on pension plan investments	27,540	-
Changes in employer's proportion	22,348	29,429
Difference between the employer's contributions and the employer's proportionate share of contributions	-	52,742
Total	\$ 230,311	\$ 105,516

A total of \$57,671 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. The amount reported as deferred outflows/inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended	
June 30	Total
2019	\$ (15,526)
2020	63,349
2021	35,652
2022	(16,351)
	\$ 67,124

## Castroville Community Services District

Notes to Financial Statements  
For the Year Ended June 30, 2018

**NOTE 5 - DEFINED BENEFIT PENSION PLAN, (continued):**

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

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	<u>Miscellaneous</u>
1% Decrease	6.15%
Net Pension Liability	996,472
Current Discount Rate	7.15%
Net Pension Liability	595,081
1% Increase	8.15%
Net Pension Liability	262,641

**Information Common to the Miscellaneous and PEPR Miscellaneous Plans**

**Actuarial Assumptions** – For the measurement period ended June 30, 2017, the total pension liabilities were determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2017 total pension liabilities were based on the following actuarial assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.150%
Inflation	2.625%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.2%
Mortality Rate Table	Derived using CalPERS Experience Study and Review of Actuarial Assumption
Post Retirement Benefit Increase	Contract COLA up to 2% until Purchasing Power Protection Allowance Floor on Purchasing Power Applies, 2.0% Thereafter

**Change of Assumptions** - At its December 2016 meeting, the CalPERS Board of Administration lowered the discount rate from 7.50 percent to 7.00 percent using a three-year phase-in beginning with the June 30, 2016 actuarial valuations. The district rate of 7.15 percent used for the June 30, 2016 measurement date is without reduction of pension plan administrative expense. All other assumptions remain the same.

# Castroville Community Services District

Notes to Financial Statements  
For the Year Ended June 30, 2018

**NOTE 5 - DEFINED BENEFIT PENSION PLAN, (continued):**

**Discount Rate:**

The discount rate used to measure the total pension liability was 7.15 percent and reflects the long-term expected rate of return for the Plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, the crossover test was performed for plans selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was adequate and the use of the municipal bond rate calculation is not necessary. The long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Public Employees Retirement Fund. The crossover test results are presented in a detailed report that can be obtained at CalPERS' website.

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 considered 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 funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set to equal the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects expected real rates of return by asset class.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 <sup>1</sup>	Real Return Years 11+ <sup>2</sup>
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0	0.80	2.27
Inflation Assets	6.0	0.60	1.39
Private Equity	12.0	6.60	6.63
Real Estate	11.0	2.80	5.21
Infrastructure and Forestland	3.0	3.90	5.36
Liquidity	2.0	(0.40)	(0.90)

<sup>1</sup>An expected inflation of 2.5% used for this period

<sup>2</sup>An expected inflation of 3.0% used for this period

**Pension Plan Fiduciary Net Position:**

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

# Castroville Community Services District

Notes to Financial Statements  
For the Year Ended June 30, 2018

## **NOTE 6 - SIGNIFICANT GROUP CONCENTRATIONS OF CREDIT RISK:**

The District maintains bank accounts at various financial institutions. The balances of these accounts may occasionally exceed the FDIC insured amount of \$250,000.

## **NOTE 7 – POSTEMPLOYMENT HEALTHCARE PLAN:**

The District has implemented GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. The primary objective of the statement was to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions or OPEB. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Note disclosure and required supplementary information requirements about defined benefit OPEB are also addressed in this Statement.

### **Plan Description**

The District participates in an agent multi-employer defined benefit post-employment healthcare plan (the plan) administered by California Public Employees Retirement System (CalPERS). CalPERS issues publicly available reports that include a full description of the OPEB plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

### **Eligibility for Benefits**

The plan offers medical benefits to certain eligible participants. The table below describes benefits available to employees hired before January 1, 2013. Employees hired on or after January 1, 2013 and are at least 52 years of age upon retirement will receive the statutory minimum health benefits under sections of the Government Code collectively known as the Public Employees' Medical and Hospital Care Act or PEMHCA.

Benefit types provided	Medical only
Duration of benefits	Lifetime
Required service	20 years
Minimum Age	50
Dependent Coverage	Yes
District Contribution %	100%
District Cap	PERS Choice Other Northern California

### **Plan Membership**

As of June 30, 2018, the date of the latest actuarial validation, plan participation consisted of:

Retirees and beneficiaries receiving benefits	1
Active Employees	<u>6</u>
Total Plan Participants	<u>7</u>

## Castroville Community Services District

Notes to Financial Statements  
For the Year Ended June 30, 2018

**NOTE 7 – POSTEMPLOYMENT HEALTHCARE PLAN, (Continued):**

**Funding Policy**

The contribution requirements of plan members and the District are established and may be amended by the District’s Board of Directors. The Employer’s Contribution for each employee shall be the amount necessary to pay the full cost of his/her enrollment including the enrollment of family members in a health benefits plan or plans up to a maximum of total premium per month. The plan assets are held in the California Employers’ Retiree Benefit Trust (CERBT) Fund which is a Section 115 trust fund dedicated to prefunding OPEB for all eligible California public agencies. The obligation of the District to contribute to the plan is based on an actuarially determined amount. The amount contributed by the District to the plan for the year ended June 30, 2017 was \$16,011. The District has not obtained an actuarially determined contribution for the year ended June 30, 2018.

**Net OPEB Liability**

The District’s net OPEB liability for the Plan is measured as the total OPEB liability, less the plan’s fiduciary net position. The net OPEB liability of the Plans is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The components of the net OPEB liability of the District at June 30, 2017 were as follows:

Total OPEB Liability	\$ 370,262
OPEB Plan Fiduciary Net Position	<u>165,068</u>
Net OPEB Liability	<u>\$ 205,194</u>

**Actuarial Method 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 benefit 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 calculation method used to determine the service cost and total OPEB liability, mandated by GASB 75, is called the “actuarial cost method”. Since the Plan includes fewer than 100 employees, GASB Statement No. 75 provides an alternate allowable method. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise provided:

Actuarial Cost Method	Entry Age Normal
Valuation Date	7/1/2017
Inflation Rate	2.75% per year
Investment Rate of Return/Discount Rate	7.00%
Healthcare Cost Trend Rate	4.00%
Payroll Growth Rate	2.75%
Retirement Rates	CalPERS retirement rates for the 2%@60 Rates for Miscellaneous Employees
Service Requirement	CalPERS retirement rates for the 2%@60 for Miscellaneous Employees
Mortality	Based on CalPERS table-2014 Active Mortality for Miscellaneous Employees

## Castroville Community Services District

Notes to Financial Statements  
For the Year Ended June 30, 2018

**NOTE 7 – POSTEMPLOYMENT HEALTHCARE PLAN (continued):**

**Discount Rate**

The discount rate used to measure the total OPEB Liability was 7%. The discount rate is based on assumed long-term return on the plan assets assuming 100% funding through CERBT. Assumptions are based upon the historic 30-year real rates of return for each asset class offset by investment expenses. The projection of cash flows used to determine the discount rate assumed that the District contribution will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions the OPEB Plan’s fiduciary net position was projected to cover all future benefits for current plan participants. The assumed allocation and rate of return for each asset class is listed below:

CERBT - Strategy 1

<u>Asset Class</u>	<u>Percentage of portfolio</u>	<u>Assumed Gross Return</u>
US Large Cap	43.000	7.795
US Small Cap	23.000	7.795
Long-Term Corporate Bonds	12.000	5.295
Long-Term Government Bonds	6.000	4.500
Treasury Inflation Protected Securities (TIPS)	5.000	7.795
US Real Estate	8.000	7.795
All Commodities	3.000	7.795

**Change in the Net OPEB Liability**

	<u>Total OPEB Liability</u>	<u>Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance at June 30, 2016	\$ 347,291	\$ 133,947	\$ 213,344
Service Cost	1,863	-	1,863
Interest	24,063	-	24,063
Employer Contributions	-	18,967	(18,967)
Actual Investment Income	-	15,235	(15,235)
Administrative Expense	-	(126)	126
Benefit Payments	(2,955)	(2,955)	-
Net Change	<u>22,971</u>	<u>31,121</u>	<u>(8,150)</u>
Balance at June 30, 2017	<u>\$ 370,262</u>	<u>\$ 165,068</u>	<u>\$ 205,194</u>

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following table shows the Net OPEB Liability with a discount rate 1% higher and 1% lower than the assumed rate of 7% in the valuation:

Plan's Net OPEB Liability/(Asset)		
Discount Rate - 1% (6%)	Current Discount Rate (7%)	Discount Rate + 1% (8%)
<u>\$ 279,811</u>	<u>\$ 205,194</u>	<u>\$ 146,681</u>

## Castroville Community Services District

Notes to Financial Statements  
For the Year Ended June 30, 2018

**NOTE 7 – POSTEMPLOYMENT HEALTHCARE PLAN (continued):**

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate**

The following table shows the Net OPEB Liability with healthcare costs trend rate of 1% higher and 1% lower than the assumed rate of 4% in the valuation:

Plan's Net OPEB Liability		
Trend Rate - 1% (3%)	Healthcare Cost Trend Rate (4%)	Trend Rate + 1% (5%)
\$ 139,802	\$ 205,194	\$ 288,475

**OPEB Expense and Deferred Outflows of Resources Related to OPEB**

OPEB expense includes service cost, interest cost, change in the total OPEB liability due to difference between actual and expected investment income and administrative expenses, adjusted for deferred inflows and outflows. Deferred outflows of resources related to OPEB include the contributions made to the trust subsequent to the measurement date of June 30, 2017 and prior to the fiscal year. For the fiscal year ending June 30, 2017, the District recognized OPEB expense of \$10,849. At June 30, 2017, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Employer Contributions made subsequent to the measurement date	\$ 19,000

The actuarial valuation prepared for the fiscal year ending June 30, 2017, did not include information on the amounts reported as deferred outflows or inflows of resources including as to the amortization period and future OPEB expense.

**NOTE 8 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 16, 2018, the date which the financial statements were available for issue, and has determined that there are no additional adjustments and/or disclosures required.

**Castroville Community Services District**  
 Required Supplemental Information  
 Detailed Statement of Revenues, Expenditures and Changes in  
 Fund Balance - Budget and Actual - Governmental Funds  
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b><u>REVENUES:</u></b>				
Investment Earnings	\$ 4,000	\$ 4,000	\$ 1,992	\$ (2,008)
Charges for Services and Other	67,030	67,030	68,844	1,814
Total Revenues	71,030	71,030	70,836	(194)
<b><u>EXPENDITURES:</u></b>				
Current:				
Streets, Street Lights and Open Space	56,300	56,300	52,393	3,907
Recreation	100,000	100,000	100,000	-
Total Expenditures	156,300	156,300	152,393	3,907
Excess (Deficiency) of Revenues Over Expenditures	(85,270)	(85,270)	(81,557)	3,713
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (85,270)</b>	<b>\$ (85,270)</b>	<b>\$ (81,557)</b>	<b>\$ 3,713</b>



# Castroville Community Services District

## Required Supplemental Information

### Statement of Activities

#### Budget and Actual - Water Fund

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
<b><u>OPERATING REVENUES</u></b>				
Water Sales	\$ 1,068,000	\$ 1,068,000	\$ 1,095,013	\$ 27,013
New Service and Connection Fees	53,160	53,160	49,178	(3,982)
Other Revenues	23,950	23,950	28,244	4,294
Total Operating Revenues	1,145,110	1,145,110	1,172,435	27,325
<b><u>OPERATING EXPENSES</u></b>				
General Operation Expenses				
Payroll and Related Expenses	84,150	84,150	79,461	4,689
Utility Expense	92,000	92,000	97,154	(5,154)
Water and Sewer Line Expenses	22,600	22,600	6,323	16,277
General Operations	22,395	22,395	20,477	1,918
Meter Expenses	32,500	32,500	35,729	(3,229)
Automobile Expenses	7,300	7,300	4,716	2,584
Well Site Expenses	20,000	20,000	17,333	2,667
Hydrant Expenses	2,000	2,000	617	1,383
Administrative Expenses				
Payroll and Related Expenses	226,448	226,448	225,167	1,281
Consulting Expenses	62,283	62,283	61,151	1,132
Office Expenses	37,050	37,050	28,208	8,842
Retirement Plan Contributions	37,280	37,280	36,736	544
Billing Expenses	17,825	17,825	15,573	2,252
Insurance Expense	11,600	11,600	9,332	2,268
Utility Expenses	3,940	3,940	3,380	560
Bad Debts	500	500	322	178
Total Operating Expenses	679,871	679,871	641,679	38,192
<b><u>NON-OPERATING REVENUES and (EXPENSES)</u></b>				
Interest Revenue	33,000	33,000	44,652	11,652
Total Non-operating Revenues (Expenses)	33,000	33,000	44,652	11,652
Net Income Before Depreciation (Budgetary Basis)	498,239	498,239	575,408	77,169
<b><u>GAAP RECONCILING ITEMS</u></b>				
Depreciation	(312,000)	(312,000)	(307,402)	4,598
Total GAAP Reconciling Items	(312,000)	(312,000)	(307,402)	4,598
Net Income Before Transfers (GAAP Basis)	186,239	186,239	268,006	81,767
<b><u>CHANGE IN NET ASSETS</u></b>				
	\$ 186,239	\$ 186,239	\$ 268,006	\$ 81,767

See Auditors' Report

The Accompanying Notes Are An Integral Part of These Financial Statements

**Castroville Community Services District**  
 Required Supplemental Information  
 Statement of Activities  
 Budget and Actual - Castroville and Moro Cojo Sewer Fund  
 For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
<b><u>OPERATING REVENUES</u></b>				
Property Tax and User Fees	\$ 449,960	\$ 449,960	\$ 676,039	\$ 226,079
Connection Fees	30,412	30,412	30,413	1
Other Revenues	12,000	12,000	2,020	(9,980)
Total Operating Revenues	<u>492,372</u>	<u>492,372</u>	<u>708,472</u>	<u>216,100</u>
<b><u>OPERATING EXPENSES</u></b>				
General Operation Expenses				
Payroll and Related Expenses	309,910	309,910	303,070	6,840
General Operations	8,130	8,130	5,230	2,900
Lift Station Expense	29,100	29,100	16,736	12,364
Sewer Line	12,000	12,000	234	11,766
Storm drain Expense	13,700	13,700	8,676	5,024
Utility Expense	4,365	4,365	3,505	860
Retirement Plan Contributions	34,100	34,100	33,730	370
Insurance Expense	11,750	11,750	9,333	2,417
Office Expense	29,350	29,350	18,649	10,701
Consulting Expense	21,933	21,933	15,628	6,305
Automobile Expense	11,700	11,700	5,404	6,296
Bond, Loan and Certificate Expense	1,650	1,650	575	1,075
Total Operating Expenses	<u>487,688</u>	<u>487,688</u>	<u>420,770</u>	<u>66,918</u>
<b><u>NON-OPERATING REVENUES and (EXPENSES)</u></b>				
Interest Revenue	86,000	86,000	68,873	(17,127)
Amortization of Organizational Cost	<u>(3,589)</u>	<u>(3,589)</u>	<u>(3,589)</u>	<u>-</u>
Total Non-operating Revenues	<u>82,411</u>	<u>82,411</u>	<u>65,284</u>	<u>(17,127)</u>
Net Income Before Depreciation (Budgetary Basis)	<u>87,095</u>	<u>87,095</u>	<u>352,986</u>	<u>265,891</u>
<b><u>GAAP RECONCILING ITEMS</u></b>				
Depreciation	<u>(76,506)</u>	<u>(76,506)</u>	<u>(76,829)</u>	<u>(323)</u>
Total GAAP Reconciling Items	<u>(76,506)</u>	<u>(76,506)</u>	<u>(76,829)</u>	<u>(323)</u>
Net Income Before Transfers (GAAP Basis)	10,589	10,589	276,157	265,568
<b><u>CHANGE IN NET ASSETS</u></b>	<u>\$ 10,589</u>	<u>\$ 10,589</u>	<u>\$ 276,157</u>	<u>\$ 265,568</u>

**Castroville Community Service District**

Required Supplemental Information

Statement of Activities

Budget and Actual - Moss Landing Fund

For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
<b><u>OPERATING REVENUES</u></b>				
Property Tax and User Fees	\$ 279,700	\$ 279,700	\$ 280,424	\$ 724
Other Revenues	1,000	-	930	930
Total Operating Revenues	<u>280,700</u>	<u>279,700</u>	<u>281,354</u>	<u>1,654</u>
<b><u>OPERATING EXPENSES</u></b>				
General Operation Expenses				
Payroll and Related Expenses	76,560	76,560	75,352	(1,208)
General Operations	2,170	2,170	1,248	(922)
Lift Station Expense	14,700	14,700	12,646	(2,054)
Sewer Line	7,000	7,000	-	(7,000)
Utility Expense	1,070	1,070	789	(281)
Insurance Expense	2,600	2,600	2,072	(528)
Office Expense	6,350	6,350	4,555	(1,795)
Consulting Expense	43,300	43,300	41,800	(1,500)
Automobile Expense	4,200	4,200	1,531	(2,669)
Bond, Loan and Certificate Expense	25,000	25,000	-	(25,000)
Total Operating Expenses	<u>182,950</u>	<u>182,950</u>	<u>139,993</u>	<u>(42,957)</u>
<b><u>NON-OPERATING REVENUES and (EXPENSES)</u></b>				
Interest Revenue	6,000	6,000	7,660	1,660
Total Non-operating Revenues	<u>6,000</u>	<u>6,000</u>	<u>7,660</u>	<u>1,660</u>
Net Income Before Depreciation (Budgetary Basis)	<u>103,750</u>	<u>102,750</u>	<u>149,021</u>	<u>46,271</u>
<b><u>GAAP RECONCILING ITEMS</u></b>				
Depreciation	(25,500)	(25,500)	(28,005)	(2,505)
Total GAAP Reconciling Items	<u>(25,500)</u>	<u>(25,500)</u>	<u>(28,005)</u>	<u>(2,505)</u>
Net Income Before Transfers (GAAP Basis)	78,250	77,250	121,016	43,766
<b><u>CHANGE IN NET ASSETS</u></b>	<u>\$ 78,250</u>	<u>\$ 77,250</u>	<u>\$ 121,016</u>	<u>\$ 43,766</u>

See Auditors' Report

The Accompanying Notes Are An Integral Part of These Financial Statements

# Castroville Community Services District

Required Supplemental Information

For the Year Ended June 30, 2018

Last 10 Years \*

## Miscellaneous Plan Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

### ***SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS AS OF THE MEASUREMENT DATE***

Fiscal Year	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Measurement Period	2016-17	2016-15	2015-14	2013-14
Entity's proportion of net pension liability (asset)	0.00600%	0.56900%	0.47400%	0.00605%
Entity's proportionate share of net pension liability (asset)	\$ 595,081	\$ 492,425	\$ 325,424	\$ 376,234
Entity's covered-employee payroll (Measurement Year)	\$ 423,766	\$ 454,888	\$ 457,015	\$ 420,797
Entity's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	140.43%	108.25%	71.21%	89.41%
Plan's fiduciary net position as a percentage of the Plan's total pension liability	73.31%	74.06%	78.40%	83.38%
Proportionate share of the aggregate employer contributions	\$ 87,899	\$ 79,241	\$ 74,295	\$ 51,050

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

## Castroville Community Services District

Required Supplemental Information

For the Year Ended June 30, 2018

Last 10 Years \*

### Miscellaneous Plan Cost-Sharing Multiple-Employer Defined Benefit Pension Plan *SCHEDULE OF PLAN CONTRIBUTIONS*

Fiscal Year Ended	2018	2017	2016	2015
Contractually required contributions (actuarially determined) \$	57,671	\$ 48,381	\$ 45,969	\$ 34,697
Contributions in relation to CRC	(57,671)	(48,381)	(45,969)	(34,697)
Contribution deficiency (excess) \$	-	-	-	-
Covered-employee payroll \$	472,677	\$ 423,766	\$ 454,888	\$ 457,015
Contributions as a percentage of covered-employee payroll	12.20%	11.42%	10.11%	7.59%
Valuation Date:	6/30/2017	6/30/2016	6/30/2015	6/30/2014

#### **Notes to Schedule**

Valuation Date: 6/30/18, 6/30/17, 6/30/16, 6/30/15

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	2.625% per year
Salary Increases	Varies by entry age and service
Payroll Growth	2.75%
Investment Rate of Return	7.15%, net of pension plan expenses, including inflation
Retirement Age	50 years
Mortality	Derived using CalPERS Experience Study and Review of Actuarial Assumptions

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

## Castroville Community Services District

Required Supplemental Information  
For the Year Ended June 30, 2018

### *Schedule of District's Contributions to OPEB Plan*

#### *Last 10 Fiscal Years*

	6/30/2016	6/30/2015	6/30/2014
Actuarial determined contribution	\$ 16,011	\$ 16,011	\$ 16,011
Contributions in relation to actuarial actuarially determined contribution	\$ 16,011	\$ 16,011	\$ 16,011
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	423,768	458,888	457,015
Contribution as a percentage of covered payroll	3.78%	3.49%	3.50%

#### **Notes to Required Supplementary Information**

This schedule will present 10 years as information becomes available.

*Valuation Date:* Actuarially determined contribution rates are calculated as of June 30, 2016, two years prior to the end of the fiscal year. Actuarially determined contribution rates for June 30, 2017 and June 30, 2018 were not obtained by the District.

#### *Methods and Assumptions Used to Determine Contribution Rates*

Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.625% per year
Inflation Rate	2.75% per year
Investment Rate of Return/Discount Rate	7.00%
Healthcare Cost Trend Rate	4.00%
Payroll Growth Rate	2.75%
Retirement Age	CalPERS retirement rates for the 2%@60
Mortality	Rates for Miscellaneous Employees Based on CalPERS table-2014 Active Mortality for Miscellaneous Employees

## Castroville Community Services District

Required Supplemental Information

For the Year Ended June 30, 2018

### ***SCHEDULE OF OPEB Liability and Fiduciary Net Position Last 10 Fiscal Years***

	<u>Total OPEB Liability</u>
Balance at June 30, 2016	\$ 347,291
Service Cost	1,863
Interest	24,063
Employer Contributions	-
Actual Investment Income	-
Administrative Expense	-
Benefit Payments	(2,955)
Net Change	<u>22,971</u>
Balance at June 30, 2017	<u>\$ 370,262</u>

	<u>Fiduciary Net Position</u>
Balance at June 30, 2016	\$ 133,947
Service Cost	-
Interest	-
Employer Contributions	18,967
Actual Investment Income	15,235
Administrative Expense	(126)
Benefit Payments	(2,955)
Net Change	<u>31,121</u>
Balance at June 30, 2017	<u>\$ 165,068</u>

Net OPEB Liability	
Balance at June 30, 2017	<u>\$ 205,194</u>

Plan Fiduciary net position as a percentage of the total OPEB liability 44.58%

Covered Payroll \$ 423,768

Net OPEB liability as a percentage of covered payroll 48.42%

This schedule will present 10 years as information is available  
*Changes in actuarial assumptions and methods. None*

Board of Directors  
Castroville Community Services District  
Castroville, California

**Independent Auditors' 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.**

We have audited, 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, the financial statements of the governmental activities, the business-type activities, and each major fund of Castroville Community Services District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Castroville Community Services District's basic financial statements, and have issued our report thereon dated October 16, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Castroville Community Services District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Castroville Community Services District's internal control. Accordingly, we do not express an opinion on the effectiveness of Castroville Community Services District's internal control.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Castroville Community Services District's financial statements are free of material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### **Other Reporting Required by 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.

*Porter & Lasiewicz, CPAs*

October 16, 2018