



Independent Auditor's Report
And
Financial Statements

For the Year Ended
June 30, 2013

SAN MIGUEL COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTORS
June 30, 2013

BOARD OF DIRECTORS

<u>NAME</u>	<u>TERM EXPIRES</u>
Anthony Kalvans, President	December, 2016
Gib Buckman, Vice President	December, 2014
John Green, Director	December, 2016
Richard Rharrison, Director	December, 2016
Connie Jarvis, Director	December, 2014

SAN MIGUEL COMMUNITY SERVICES DISTRICT
INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS
June 30, 2013

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SAN MIGUEL COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

This section of the annual financial report of the San Miguel Community Services District (District) presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2013. The Management's Discussion and Analysis (MD&A) should be read in conjunction with the District's financial statements, including the notes and the supplementary information that immediately follow this section.

FINANCIAL HIGHLIGHTS

The following summarizes the District's financial highlights for the year ended June 30, 2013.

- In total, government-wide net assets were \$5,252,826.
- General revenues accounted for \$545,036 or 40.10 percent.
- Total government-wide assets were \$7,405,818 cash and cash equivalents were \$675,226 and net capital assets totaled \$6,481,818.
- Total program expenses were \$1,008,068, as noted in table 2.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operation in more detail than the government-wide statements.

The fund financial statements are composed of:

- Governmental fund statements, which tell how basic services were financed in the short-term, as well as what remained for future spending.
- Enterprise fund statements are presented using the economic resources measurement focus and the accrual basis of accounting.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

The Statement of Net Assets and the Statement of Activities

The statement of net assets and statement of activities report information about the District as a whole and its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. Net assets are the difference between assets and liabilities, which is one way to measure the District's financial health, or financial position. Overtime, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. To assess the overall health of the District, you need to consider additional non-financial factors including the condition the District's buildings and other facilities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund financial statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to record specific sources of funding and spending on particular programs:

- Some funds are required by law and covenants.
- The District establishes other funds to control and manage money for particular purposes or to show that certain revenues have been properly used.

Governmental funds

The District's street lighting and fire protection are reported in governmental funds which generally focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using the modified accrual accounting, which measures cash, and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statement, we provide additional information of the governmental fund statements that explain the relationship (or differences) between them.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Enterprise Funds

The District's water, sewer, and refuse services are reported in the enterprise funds which are presented on the accrual basis of accounting. The enterprise funds provide a detailed long-term view of the funds.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The following table presents a summary of the District's statement of net assets by category as of June 30, 2013.

TABLE 1: NET ASSETS

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Assets		
Current and Other Assets	\$ 923,632	\$ 608,814
Capital Assets	<u>6,481,818</u>	<u>6,633,436</u>
 Total Assets	 <u>7,405,450</u>	 <u>7,242,250</u>
 Liabilities		
Current Liabilities	184,399	169,518
Long-Term Liabilities	<u>1,968,225</u>	<u>2,078,076</u>
 Total Liabilities	 <u>2,152,624</u>	 <u>2,247,594</u>
 Net Assets		
Invested in Capital Assets, net of related debt	4,403,741	4,448,432
Restricted	-	-
Unrestricted	<u>849,085</u>	<u>546,224</u>
 Total Net Assets	 <u><u>\$ 5,252,826</u></u>	 <u><u>\$ 4,994,656</u></u>

SAN MIGUEL COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

A summary of total District revenues, expenses, and changes in net assets is presented in the table below.

TABLE 2: CHANGES IN NET ASSETS

	June 30, 2013	June 30, 2012
Revenues		
Program Revenues:		
Charges for Services	\$ 813,038	\$ 674,109
Operating Grants and Contributions	1,000	-
General Revenues:		
Taxes	420,584	433,709
Interest and Investment Earnings	511	334
Interest Expense	(92,837)	(106,292)
Reimbursements	121,847	-
Other Income	2,094	19,039
	1,266,237	1,020,899
 Program Expenses		
Governmental Activities	280,140	336,984
Business-Type Activities	727,928	852,008
	1,008,068	1,188,992
 Changes in Net Assets	\$ 258,169	\$ (168,093)

General Fund Budgetary Highlights

As finalized by the Board of Directors, budgeted revenues totaled \$1,412,045 expenditures totaled \$1,223,939 and revenues were projected to exceed expenditures by \$188,106.

**SAN MIGUEL COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Capital Assets at Year End Net of Depreciation

As of June 30, 2013 the District owned the following capital assets:

TABLE 3: CAPITAL ASSETS

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Capital Assets		
Land	\$ 138,701	\$ 138,701
Structures and Improvements	8,028,673	7,984,803
Equipment	1,421,346	1,352,184
Construction in Progress	46,723	35,615
Accumulated Depreciation	<u>(3,153,625)</u>	<u>(2,877,867)</u>
 Total Capital Assets	 <u><u>\$ 6,481,818</u></u>	 <u><u>\$ 6,633,436</u></u>

Long Term Debt

The District's debt or debt activity during the year ended June 30, 2013 was in the amount of \$2,078,077 of which \$109,852 is due within in one year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions regarding this report or need additional financial information, contact David Benzt, Interim Manager, 1150 Mission Street, San Miguel, CA 93451.



Blomberg & Griffin Accountancy Corporation
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
San Miguel Community Services District
San Miguel, CA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of San Miguel Community Services District as of and for the year ended June 30, 2013. These financial statements are the responsibility of San Miguel Community Services District's management. Our responsibility is to express an opinion on these financial statements based upon our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We were unable to obtain corroborative evidence supporting San Miguel Community Services District accounts payable, expenses, and capital assets stated at \$14,344, \$1,004,916, and \$6,481,818, respectively, at June 30, 2013.

In our opinion, except for the effects of such adjustments, if any as might have been determined to be necessary had we been able to examine evidence regarding accounts payable, expenses, and capital assets, 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 the San Miguel Community Services District as of June 30, 2013 and the changes in financial position and, where applicable, cash flows thereof for the year, then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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.

Blomberg & Griffin A.C.
Blomberg & Griffin A.C.
August 14, 2013

SAN MIGUEL COMMUNITY SERVICES DISTRICT
Statement of Net Assets
June 30, 2013

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Elimination</u>	<u>Total</u>
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 342,428	\$ 332,798	\$ -	\$ 675,226
Accounts Receivable	-	168,515	-	168,515
Property Tax Receivable	37,286	5,390	-	42,676
Other Receivables	8,291	28,924	-	37,215
Due From Other Funds	163,780	41,416	(205,196)	-
Total Current Assets	<u>551,785</u>	<u>577,043</u>	<u>(205,196)</u>	<u>923,632</u>
Non-Current Assets				
Land	76,927	61,774	-	138,701
Structures and Improvements	476,994	7,551,679	-	8,028,673
Equipment	1,111,016	310,330	-	1,421,346
Construction in Progress	1,666	45,057	-	46,723
Less: Accumulated Depreciation	(1,015,414)	(2,138,211)	-	(3,153,625)
Total Non-Current Assets	<u>651,189</u>	<u>5,830,629</u>	<u>-</u>	<u>6,481,818</u>
Total Assets	<u>\$ 1,202,974</u>	<u>\$ 6,407,672</u>	<u>\$ (205,196)</u>	<u>\$ 7,405,450</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ -	\$ 14,344	\$ -	\$ 14,344
Accrued Payables	9,916	1,551	-	11,467
Compensated Absences	1,504	2,256	-	3,760
Deposits	-	9,668	-	9,668
Due to Other Funds	-	205,196	(205,196)	-
Interest Payable	4,042	31,266	-	35,308
Current Portion of Long-Term Obligations	30,878	78,974	-	109,852
Total Current Liabilities	<u>46,340</u>	<u>343,255</u>	<u>(205,196)</u>	<u>184,399</u>
Non-Current Liabilities				
Noncurrent Portion of Long-Term Obligations	132,642	1,945,435	-	2,078,077
Less: Current Portion of Long-Term Obligations	(30,878)	(78,974)	-	(109,852)
Total Non-Current Liabilities	<u>101,764</u>	<u>1,866,461</u>	<u>-</u>	<u>1,968,225</u>
Total Liabilities	<u>148,104</u>	<u>2,209,716</u>	<u>(205,196)</u>	<u>2,152,624</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	518,547	3,885,194	-	4,403,741
Restricted for:				
Debt Service	-	-	-	-
Unrestricted	536,323	312,762	-	849,085
Total Net Assets	<u>1,054,870</u>	<u>4,197,956</u>	<u>-</u>	<u>5,252,826</u>
Total Liabilities and Net Assets	<u>\$ 1,202,974</u>	<u>\$ 6,407,672</u>	<u>\$ (205,196)</u>	<u>\$ 7,405,450</u>

The accompanying notes are an integral part of these financial statements.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
Statement of Activities
For the Year Ended June 30, 2013

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
PROGRAM EXPENSES			
Fire Protection	\$ 234,816	\$ -	\$ 234,816
Street Lighting	45,324	-	45,324
Water	-	407,646	407,646
Sewer	-	320,282	320,282
Total Program Expenses	<u>280,140</u>	<u>727,928</u>	<u>1,008,068</u>
PROGRAM REVENUE			
Services Rendered	9,743	803,295	813,038
Operating Grants and Contributions	1,000	-	1,000
Total Program Revenues	<u>10,743</u>	<u>803,295</u>	<u>814,038</u>
Net Program Expenses	<u>269,397</u>	<u>(75,367)</u>	<u>194,030</u>
GENERAL REVENUES			
Property Taxes	279,944	140,640	420,584
Interest Income	-	511	511
Interest Expense	(7,641)	(85,196)	(92,837)
Reimbursements	-	121,847	121,847
Miscellaneous	136	1,958	2,094
Total General Revenues	<u>272,439</u>	<u>179,760</u>	<u>452,199</u>
Excess of Revenues over Expenses	3,042	255,127	258,169
Transfers In/Out-Internal Activities	29,666	(29,666)	-
Change in Net Assets	32,708	225,461	258,169
Net Assets-Beginning of Year	<u>1,022,162</u>	<u>3,972,495</u>	<u>4,994,657</u>
Net Assets-End of Year	<u>\$ 1,054,870</u>	<u>\$ 4,197,956</u>	<u>\$ 5,252,826</u>

The notes are an integral part of these financial statements.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
Governmental Funds
Balance Sheet
June 30, 2013

	<u>Street Lighting</u>	<u>Fire Protection</u>	<u>Total Governmental Funds</u>
ASSETS			
Current Assets			
Cash and Investments	\$ 158,545	\$ 183,883	\$ 342,428
Other Receivables	3,615	4,676	8,291
Property Tax Receivable	9,192	28,094	37,286
Due from Other Governments	-	-	-
Due from Other Funds	<u>85,607</u>	<u>78,173</u>	<u>163,780</u>
Total Assets	<u><u>\$ 256,959</u></u>	<u><u>\$ 294,826</u></u>	<u><u>\$ 551,785</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ -	\$ -	\$ -
Accrued Payables	<u>28</u>	<u>9,888</u>	<u>9,916</u>
Total Liabilities	<u>28</u>	<u>9,888</u>	<u>9,916</u>
FUND BALANCES			
Unassigned	<u>256,931</u>	<u>284,938</u>	<u>541,869</u>
Total Fund Balances	<u>256,931</u>	<u>284,938</u>	<u>541,869</u>
Total Liabilities and Fund Balances	<u><u>\$ 256,959</u></u>	<u><u>\$ 294,826</u></u>	<u><u>\$ 551,785</u></u>

The notes are an integral part of these financial statements.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2013

	<u>2013</u>
Amounts Reported for Governmental Activities in the Statement of Net Assets are different because:	
Total Fund Balance-Governmental Funds	\$ 541,869
Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.	
Capital Assets	1,666,603
Accumulated Depreciation	<u>(1,015,414)</u>
	651,189
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-Term Debt	(132,642)
Interest Payable	(4,042)
Compensated Absences	<u>(1,504)</u>
Total Net Assets-Governmental Activities	<u><u>\$ 1,054,870</u></u>

The accompanying notes are an integral part of these financial statements.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2013

	<u>Street Lighting</u>	<u>Fire Protection</u>	<u>Total Governmental Funds</u>
GENERAL REVENUES			
Taxes and Assessments	\$ 73,763	\$ 206,181	\$ 279,944
Charges for Services	-	9,743	9,743
Grants	-	1,000	1,000
Miscellaneous	-	135	135
Total Revenues	<u>73,763</u>	<u>217,059</u>	<u>290,822</u>
EXPENDITURES			
Operating Expenditures			
Salaries and Benefits	16,909	76,787	93,696
Materials, Supplies, and Services	27,619	72,870	100,489
Debt Service			
Principal	-	29,525	29,525
Interest	-	7,417	7,417
Capital Outlay	833	833	1,666
Total Expenditures	<u>45,361</u>	<u>187,432</u>	<u>232,793</u>
Excess (Deficiency) of Revenues Over Expenditures	28,402	29,627	58,029
Transfers In/Out-Internal Activities	7,447	22,219	29,666
Net Change in Fund Balances	35,849	51,846	87,695
Fund Balances - Beginning	221,082	233,092	454,174
Fund Balances - Ending	<u>\$ 256,931</u>	<u>\$ 284,938</u>	<u>\$ 541,869</u>

The notes are an integral part of these financial statements.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2013

	2013
Net Change in Fund Balances - Governmental Funds	\$ 87,695
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital outlays is reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital additions of \$1,666 which did not exceed depreciation of \$85,166 in the current period.	(83,500)
Long term debt proceeds provide current financial resources to government funds but issuing debt increases long-term liabilities in the statement of net assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	29,525
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(1,012)
Change in Net Assets of Governmental Activities	\$ 32,708

The accompanying notes are an integral part of these financial statements.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
Street Lighting
Budgetary Comparison Schedule
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variances- Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		Final to Actual
REVENUES				
Taxes and Assessments	\$ 70,000	\$ 70,000	\$ 73,763	\$ 3,763
Total Revenues	<u>70,000</u>	<u>70,000</u>	<u>73,763</u>	<u>3,763</u>
EXPENDITURES				
Operating Expenditures				
Salaries and Benefits	25,700	25,700	16,909	8,791
Materials, Supplies, and Services	27,640	27,640	27,619	21
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Capital Outlay	<u>1,665.00</u>	<u>1,665</u>	<u>833</u>	<u>832</u>
Total Expenditures	<u>55,005</u>	<u>55,005</u>	<u>45,361</u>	<u>9,644</u>
Excess (Deficiency) of Revenues Over Expenditures	14,995	14,995	28,402	13,407
Transfers In/Out-Internal Activities	<u>-</u>	<u>-</u>	<u>7,447</u>	<u>7,447</u>
Net Change in Fund Balances	14,995	14,995	35,849	20,854
Fund Balance – Beginning	<u>221,082</u>	<u>221,082</u>	<u>221,082</u>	<u>-</u>
Fund Balance – Ending	<u>\$ 236,077</u>	<u>\$ 236,077</u>	<u>\$ 256,931</u>	<u>\$ 20,854</u>

The notes are integral part of these statements.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
Fire Protection Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variances- Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		Final to Actual
REVENUES				
Taxes and Assessments	\$ 213,000	\$ 213,000	\$ 206,181	\$ (6,819)
Charges for Services	5,200	5,200	9,743	4,543
Grants	-	-	1,000	1,000
Miscellaneous	-	-	135	135
Total Revenues	<u>218,200</u>	<u>218,200</u>	<u>217,059</u>	<u>(1,141)</u>
EXPENDITURES				
Current				
Salaries and Benefits	78,325	78,325	76,787	1,538
Materials, Supplies, and Services	81,520	81,520	72,870	8,650
Debt Service				
Principal	-	-	29,525	(29,525)
Interest	-	-	7,417	(7,417)
Capital Outlay	6,465	6,465	833	5,632
Total Expenditures	<u>166,310</u>	<u>166,310</u>	<u>187,432</u>	<u>(21,122)</u>
Excess (Deficiency) of Revenues Over Expenditures	51,890	51,890	29,627	(22,263)
Transfers In/Out-Internal Activities	-	-	22,219	22,219
Net Change in Fund Balances	51,890	51,890	51,846	(44)
Fund Balances-Beginning Balance	<u>233,092</u>	<u>233,092</u>	<u>233,092</u>	<u>-</u>
Fund Balance – Ending	<u>\$ 284,982</u>	<u>\$ 284,982</u>	<u>\$ 284,938</u>	<u>\$ (44)</u>

The notes are an integral part of these statements.

SAN MIGUEL COMMUNITY SERVICES DISTRICT

Enterprise Funds
Statement of Net Assets
June 30, 2013

	Business-Type Activities		
	Enterprise Funds		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and Investments	\$ 332,798	\$ -	\$ 332,798
Accounts Receivable	113,152	55,363	168,515
Property Tax Receivable	-	5,390	5,390
Other Receivables	14,462	14,462	28,924
Due From Other Funds	41,416	-	41,416
	<u>501,828</u>	<u>75,215</u>	<u>577,043</u>
Total Current Assets			
Noncurrent Assets			
Land	19,229	42,545	61,774
Structures and Improvements	5,825,917	1,725,762	7,551,679
Equipment	124,561	185,769	310,330
Construction in Progress	41,727	3,330	45,057
Less: Accumulated Depreciation	(1,283,261)	(854,950)	(2,138,211)
	<u>4,728,173</u>	<u>1,102,456</u>	<u>5,830,629</u>
Total Noncurrent Assets			
	<u>\$ 5,230,001</u>	<u>\$ 1,177,671</u>	<u>\$ 6,407,672</u>
Total Assets			
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 14,344	\$ -	\$ 14,344
Accrued Payables	812	739	1,551
Compensated Absences	1,128	1,128	2,256
Deposits	9,668	-	9,668
Due to Other Funds	-	205,196	205,196
Interest Payable	25,493	5,773	31,266
Current Portion of Long-Term Obligations	48,974	30,000	78,974
	<u>100,419</u>	<u>242,836</u>	<u>343,255</u>
Total Current Liabilities			
Noncurrent Liabilities			
Noncurrent Portion of Long-Term Obligations	1,690,435	255,000	1,945,435
Less: Current Portion of Long-Term Obligations	(48,974)	(30,000)	(78,974)
	<u>1,741,880</u>	<u>467,836</u>	<u>2,209,716</u>
Total Liabilities			
NET ASSETS			
Invested in Capital Assets, Net of Related Debt Restricted	3,037,738	847,456	3,885,194
Unrestricted	450,383	(137,621)	312,762
	<u>3,488,121</u>	<u>709,835</u>	<u>4,197,956</u>
Total Net Assets			
Total Liabilities and Net Assets			
	<u>\$ 5,230,001</u>	<u>\$ 1,177,671</u>	<u>\$ 6,407,672</u>

The notes are an integral part of these financial statements.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
Enterprise Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended June 30, 2013

	Business-Type Activities		
	Enterprise Funds		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING REVENUES			
Service Charges	\$ 445,268	\$ 351,400	\$ 796,668
Other Operating Revenues	6,627	-	6,627
Total Operating Revenue	<u>451,895</u>	<u>351,400</u>	<u>803,295</u>
OPERATING EXPENSES			
General and Administrative	97,075	92,518	189,593
Plant	170,351	177,391	347,742
Depreciation	140,220	50,373	190,593
Total Operating Expenses	<u>407,646</u>	<u>320,282</u>	<u>727,928</u>
Net Operating Income (Loss)	<u>44,249</u>	<u>31,118</u>	<u>75,367</u>
NONOPERATING REVENUES (EXPENSES)			
Interest Income	511	-	511
Taxes and Assessments	48,972	91,668	140,640
Interest Expense	(68,206)	(16,990)	(85,196)
Reimbursements	121,812	35	121,847
Miscellaneous	871	1,087	1,958
Total Nonoperating Revenues (Expenses)	<u>103,960</u>	<u>75,800</u>	<u>179,760</u>
Income (Loss) Before Transfers	148,209	106,918	255,127
Transfers Out/In-Internal Activities	<u>(27,071)</u>	<u>(2,595)</u>	<u>(29,666)</u>
Change in Net Assets	121,138	104,323	225,461
Total Net Assets - Beginning	<u>3,366,983</u>	<u>605,512</u>	<u>3,972,495</u>
Total Net Assets - Ending	<u>\$ 3,488,121</u>	<u>\$ 709,835</u>	<u>\$ 4,197,956</u>

The notes are an integral part of the financial statements.

SAN MIGUEL COMMUNITY SERVICES DISTRICT

Enterprise Funds

Statement of Cash Flows

For the Year Ended June 30, 2013

	Business-Type Activities		
	Enterprise Funds		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 427,244	\$ 343,418	\$ 770,662
Cash Payments for Goods and Services	(134,682)	(189,886)	(324,568)
Cash Payments to Employees	<u>(121,141)</u>	<u>(82,945)</u>	<u>(204,086)</u>
Net Cash Provided (Used) by Operating Activities	<u>171,421</u>	<u>70,587</u>	<u>242,008</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Cash Received from Property Taxes	48,972	87,427	136,399
Due from Other Funds	13,243	-	13,243
Transfers Out/In-Internal Activities	(27,071)	(2,595)	(29,666)
Due to Other Funds	-	(65,556)	(65,556)
Miscellaneous, Non Operating Income (Expense)	<u>122,683</u>	<u>1,122</u>	<u>123,805</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>157,827</u>	<u>20,398</u>	<u>178,225</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principle Payments to Loans	(47,403)	(30,000)	(77,403)
Interest Expense on Long-Term Loans	(67,990)	(18,325)	(86,315)
Acquisition of Capital Assets	<u>(79,814)</u>	<u>(42,660)</u>	<u>(122,474)</u>
Net Cash Provided (Used) from Capital and Related Financing Activities	<u>(195,207)</u>	<u>(90,985)</u>	<u>(286,192)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Income	<u>511</u>	<u>-</u>	<u>511</u>
Net Cash Provided (Used) from Investing Activities	<u>511</u>	<u>-</u>	<u>511</u>
Net Increase in Cash	134,552	-	134,552
Cash-Beginning of Year	<u>198,246</u>	<u>-</u>	<u>198,246</u>
Cash-End of Year	<u><u>\$ 332,798</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 332,798</u></u>

The notes are an integral part of these financial statements.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
Enterprise Funds
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2013

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income (loss)	\$ 44,249	\$ 31,118	\$ 75,367
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Depreciation	140,220	50,373	190,593
Changes in Assets and Liabilities:			
Receivables	(26,726)	(7,982)	(34,708)
Prepaid Expenses	1,261	1,261	2,522
Deposits	2,075	-	2,075
Accounts Payable and Other Accrued Liabilities	12,980	(3,448)	9,532
Compensated Absences	(2,638)	(735)	(3,373)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 171,421	\$ 70,587	\$ 242,008

The notes are an integral part of the financial statements.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - ORGANIZATION

The San Miguel Community Services District (District) is a multi-purpose special District established on February 1, 2000, by the consolidation of the San Miguel Fire Protection District, which was established in 1941, the Water Works District #1, and the San Miguel Lighting District. The San Miguel Sanitation District was dissolved in April 2001 and incorporated into the San Miguel Community Services District. The District is a political subdivision of the State of California and operates under a Board of Directors-Manager form of government. The District provides fire protection, street lighting, water, wastewater, and solid waste services.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government.

Funds Accounting

The accounts of the District are organized into funds and account groups, each of which is considered to be a separate accounting entity. The major fund categories are:

Governmental Fund Types

Governmental funds use the current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available resources during a given period.

Proprietary Fund Types

Proprietary funds use the economic resources measurement focus. The accounting objectives are a determination of net income, financial position, and cash flows. All assets and liabilities associated with a proprietary fund's activities are included on the statement of net assets.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Interest income and various intergovernmental revenues comprise the significant revenues susceptible to accrual.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accrual basis of accounting is utilized by the proprietary fund financial statements, where revenues are recognized when earned and expenses recognized when incurred.

Restricted Assets

These assets consist of cash and cash equivalents for water customer deposits and for administration, capital projects funds and parks and recreation deposits related to future services and capital projects.

Interfund Transaction

During the course of normal operations, the District has numerous transactions between funds. Interfund transactions are generally classified as operating transfers and reported as "Other Financing Sources and Uses" in governmental funds, as "Operating Transfers In" by the recipient fund, and "Operating Transfer Out" by the disbursing fund.

On the governmental funds balance sheet, receivables and payables resulting from short-term interfund loans are classified as "Interfund Loan Receivable/Payable." These amounts are eliminated on the statement of net assets.

Estimates

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

Encumbrances

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments including money market accounts to be cash and cash equivalents.

Accounts Receivable

District water and sewer charges are billed monthly. Management has determined that an allowance for doubtful accounts is zero because of the District's credit policies and prior collection experience.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 20, 2013, are recorded as prepaid expenses.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Note Receivable

A note receivable, totaling \$43,464, was recorded for amounts owed to the District from a former employee. At June 30, 2013 the outstanding balance of this note was \$36,154.

Property, Plant and Equipment

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

All capital assets are valued at historical cost or estimated historical cost, if actual costs are not available. Donated fixed assets are stated at their fair market value on the date donated. The District currently maintains a capitalization threshold of \$5,000. Improvements are capitalized, however the cost of normal maintenance and repairs that do not add to the value of the net asset or materially extend the asset's life are not capitalized. The straight-line method is used to record depreciation.

Compensated Absences

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

Property Taxes

The County of San Luis Obispo bills and collects property taxes for the District. The County charges the District for these services. Tax revenues are recognized by the District in the year levied.

Concentrations

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

Intergovernmental Revenues

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

Operating and Non-Operating Revenue

Revenue is considered operating revenue if it is related to providing services that are for sanitary, water or refuse. All other income is non-operating revenue.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances

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

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

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

Net Assets

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

NOTE 3 - CASH AND INVESTMENTS

The values of cash and investments at June 30, 2013 are summarized as follows:

Demand Deposits	\$ 495,292
Cash and Investments with:	
County of San Luis Obispo	42,676
Local Agency Investment Fund	<u>137,258</u>
 Total Cash and Investments	 <u>\$ 675,226</u>

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

**SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013**

NOTE 3 - CASH AND INVESTMENTS (Continued)

Credit Risk, Carrying Amount, and Market Value

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

- Category 1 - insured or collateralized with securities held by the entity or by its agent in the entity's name;
- Category 2 - collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name; and
- Category 3 - uncollateralized.

Investments in pools managed by other government (LAIF) or in mutual funds are not required to be categorized.

At June 30, 2013, the carrying amount of the District's cash deposits was \$495,292. The bank balances were \$520,275. This difference is due to the normal deposits in transit and outstanding checks. District cash deposits by category as of June 30, 2013, are as follows:

	Category			Bank	Carrying Amount
	<u>1</u>	<u>2</u>	<u>3</u>		
Bank Accounts	\$ 495,292	\$ -	\$ -	\$ 495,292	\$ 520,275

Effective October 3, 2008, the Federal Deposit Insurance Corp. (FDIC) insured limit was temporarily increased from \$100,000 to \$250,000, until December 31, 2013.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE 4 - RECEIVABLES

Receivables at June 30, 2013, consisted of the following:

	Street Lighting	Fire Protection	Total Governmental Activities	Water	Sewer	Total Business-Type Activities
Local Government						
Taxes	\$ 9,192	\$ 28,094	\$ 37,286	\$ -	\$ 5,390	\$ 5,390
Other*	89,222	82,849	172,071	55,878	14,462	70,340
Utility Billings	-	-	-	113,152	55,363	168,515
Total	\$ 98,414	\$ 110,943	\$ 209,357	\$ 169,030	\$ 75,215	\$ 244,245

* This amount includes due from other funds.

NOTE 5 - CAPITAL ASSETS

A summary of the government-wide property plant and equipment at June 30, 2013, is as follows:

Governmental Funds:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
<u>Fire Protection</u>				
Capital Assets not being Depreciated				
Land	\$ 76,927	\$ -	\$ -	\$ 76,927
Construction in Progress	-	833	-	833
Total Assets not being Depreciated	76,927	833	-	77,760
Capital Assets being Depreciated				
Structures and Improvements	476,994	-	-	476,994
Equipment	1,111,016	-	-	1,111,016
Total Assets being Depreciated	1,588,010	-	-	1,588,010
Total Capital Assets	1,664,937	833	-	1,665,770
Accumulated Depreciation	(930,249)	(85,165)	-	(1,015,414)
Total Book Value	\$ 734,688	\$ (84,332)	\$ -	\$ 650,356
<u>Street Lighting</u>				
Capital Assets not being Depreciated				
Construction in Progress	\$ -	\$ 833	\$ -	\$ 833
Total Assets not being Depreciated	-	833	-	833
Capital Assets being Depreciated	-	-	-	-
Accumulated Depreciation	-	-	-	-
Total Book Value	\$ -	\$ 833	\$ -	\$ 833

SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE 5 - CAPITAL ASSETS (Continued)

A summary of changes in the District's water service fixed assets is as follows:

Enterprise Funds:

<u>Water</u>	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Capital Assets not being Depreciated				
Land	\$ 19,229	\$ -	\$ -	\$ 19,229
Construction in Progress	31,075	11,665	(1,013)	41,727
Total Assets not being Depreciated	<u>50,304</u>	<u>11,665</u>	<u>(1,013)</u>	<u>60,956</u>
Capital Assets being Depreciated				
Building and Improvements	5,825,917	-	-	5,825,917
Plant and Equipment	55,399	69,162	-	124,561
Total Capital Assets	5,931,620	80,827	(1,013)	6,011,434
Accumulated Depreciation	<u>(1,143,041)</u>	<u>(140,220)</u>	<u>-</u>	<u>(1,283,261)</u>
Total Book Value	<u>\$ 4,788,579</u>	<u>\$ (59,393)</u>	<u>\$ (1,013)</u>	<u>\$ 4,728,173</u>

A summary of changes in the District's sewer service fixed assets is as follows:

<u>Sewer</u>	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Capital Assets not being Depreciated				
Land	\$ 42,545	\$ -	\$ -	\$ 42,545
Construction in Progress	4,540	3,330	(4,540)	3,330
Total Assets not being Depreciated	<u>47,085</u>	<u>3,330</u>	<u>(4,540)</u>	<u>45,875</u>
Capital Assets being Depreciated				
Building and Improvements	1,681,892	43,870	-	1,725,762
Plant and Equipment	185,769	-	-	185,769
Total Assets being Depreciated	<u>1,867,661</u>	<u>43,870</u>	<u>-</u>	<u>1,911,531</u>
Total Capital Assets	1,914,746	47,200	(4,540)	1,957,406
Accumulated Depreciation	<u>(804,577)</u>	<u>(50,373)</u>	<u>-</u>	<u>(854,950)</u>
Total Book Value	<u>\$ 1,110,169</u>	<u>\$ (3,173)</u>	<u>\$ (4,540)</u>	<u>\$ 1,102,456</u>

Depreciation Expense was charged as follows:

Governmental Activities

Street Lighting	\$ -
Fire Protection	98,828
Total Depreciation Expense-Governmental Activities	<u>\$ 98,828</u>

Business-Type Activities

Water Fund	\$ 140,220
Sewer Fund	50,373

SAN MIGUEL COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Total Depreciation Expense Business-Type Activities

June 30, 2013

\$ 190,593

SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE 6 - ALLOCATION FROM ADMINISTRATION FUND

The District allocates a percentage of administrative expenses to each of the four funds of the District. The following shows the allocation percentages to allocate the administrative expenses:

Water	80.0%
Sewer	80.0%
Street Lighting	10.0%
Fire Protection	10.0%

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2013, consisted of the following:

	Street Lighting Recreation	Fire Protection	Total Governmental Activities	Water	Sewer	Total Business-Type Activities
Vendor Payables	\$ -	\$ -	\$ -	\$ 14,344	\$ -	\$ 14,344
Employee Benefits	28	9,888	9,916	812	739	1,551
Total	<u>\$ 28</u>	<u>\$ 9,888</u>	<u>\$ 9,916</u>	<u>\$ 15,156</u>	<u>\$ 739</u>	<u>\$ 15,895</u>

NOTE 8 - COMPENSATED ABSENCES

Summary - Governmental Activities

The changes in the District's long-term obligations for its governmental activities during the year consisted of the following:

	Street Lighting	Fire Protection	Total Governmental Activities	Water	Sewer	Total Business-Type Activities
Compensated Absences	<u>\$ 1,091</u>	<u>\$ 413</u>	<u>\$ 1,504</u>	<u>\$ 1,128</u>	<u>\$ 1,128</u>	<u>\$ 2,256</u>

SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE 9 - LONG-TERM OBLIGATIONS

Summary – Enterprise Activities

The changes to the District's long-term obligations for its enterprise activities during the year consisted of the following:

Enterprise Funds:	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Due in</u> <u>One Year</u>
<u>Water Fund</u>					
State of California Original indebtedness – \$696,969, payable in annual installments of \$48,971 Principal and interest at 2.955%, maturity date is 2025	\$ 525,542	\$ -	\$ (33,718)	\$ 491,824	\$ 34,692
United States Department of Agriculture Certificate of Participation, annual installments without interest, original indebtedness - \$1,225,406, maturity date is 2049.	<u>1,212,296</u>	<u>-</u>	<u>(13,685)</u>	<u>1,198,611</u>	<u>14,282</u>
Total-Water Fund	<u>1,737,838</u>	<u>-</u>	<u>(47,403)</u>	<u>1,690,435</u>	<u>48,974</u>
<u>Sewer Fund</u>					
Series B Bonds, authorized and issued for \$569,977, final maturity 2019, interest on remaining debt is various	<u>285,000</u>	<u>-</u>	<u>(30,000)</u>	<u>255,000</u>	<u>30,000</u>
Total	<u>\$ 2,022,838</u>	<u>\$ -</u>	<u>\$ (77,403)</u>	<u>\$ 1,945,435</u>	<u>\$ 78,974</u>
Governmental Activities:					
<u>Fire Fund</u>					
First Bankers Corporation Original indebtedness – \$262,367, payable in annual installments of \$36,942 Principal and semi-annual installments of interest At 4.10%, maturity date is 11/2016.	<u>\$ 162,166</u>	<u>\$ -</u>	<u>\$ (29,524)</u>	<u>\$ 132,642</u>	<u>\$ 30,878</u>
Total Governmental Activities	<u>\$ 162,166</u>	<u>\$ -</u>	<u>\$ (29,524)</u>	<u>\$ 132,642</u>	<u>\$ 30,878</u>



SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

Debt Service Requirements to Maturity

The debt matures through 2048 as follows:

Fiscal Year	Sewer Fund Sewer Bonds		Water Fund Loans and Deferred Interest		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	30,000	16,315	48,974	52,739	78,974	69,054
2015	30,000	14,129	50,631	52,127	80,631	66,256
2016	35,000	11,935	52,322	51,488	87,322	63,423
2017	35,000	9,732	54,146	50,822	89,146	60,554
2018	40,000	7,183	55,960	50,127	95,960	57,310
2019-2013	45,000	8,905	288,725	239,085	333,725	247,990
2024-2048	-	-	1,139,677	653,944	1,139,677	653,944
Total	<u>\$ 215,000</u>	<u>\$ 68,199</u>	<u>\$ 1,690,435</u>	<u>\$ 1,150,332</u>	<u>\$ 1,905,435</u>	<u>\$ 1,218,531</u>

NOTE 10 - PERS PENSION PLAN (Defined Benefit Plans)

A. Plan Description

The District's defined benefit pension plans, Miscellaneous Plan of the San Miguel Community Services District and provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Miscellaneous Plan are part of the Public Agency Portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating employers within the State of California. A menu of benefit provisions as well as other requirements are established by State Statutes within the Public Employees' Retirement Law. The District selects the optional benefit provisions from the benefit menu by contract with the CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies for the CalPERS' annual financial report may be obtained from the CalPERS Executive Office-400 P Street Sacramento, CA 95814.

B. Funding Policy

The District is required to contribute the actuarially determined remaining amounts as necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year ended June 30, 2013 was approximately 20.308% for The contribution requirements of the plan members are established by the State statute and employer contribution rate is established and may be amended by CalPERS.

C. Annual Pension Cost

For fiscal year ended June 30, 2013, the District's annual pension cost was \$49,301 for the Miscellaneous Plan. The required contribution for the fiscal year ended June 30, 2013 was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.30% to 14.20% for safety members and 3.30% to 14.20% for miscellaneous members; and (c) 3% cost-of-living adjustment. Both (a) and (b) include an inflation component of 2.75%.

**SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013**

NOTE 10 - PERS PENSION PLAN (Defined Benefit Plans) (Continued)

C. Annual Pension Cost (Continued)

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date entry into CalPERS. Subsequent plan amendments are amortized percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 10% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of the plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

D. Three-Year Trend Information for PERS

Trend information for the three fiscal years ended June 30, 2013, 2012, and 2011 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligations</u>
2013	\$ 49,301	100%	-
2012	\$ 35,699	100%	-
2011	\$ 59,861	100%	-

Actuarial-Miscellaneous Plan (Risk Pool)

<u>Valuation Date</u>	<u>Entry Age Accrued Liability</u>	<u>Value of Assets</u>	<u>Overfunded (Unfunded) Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Unfunded (Overfunded) Liability as % of Payroll</u>
6/30/2009	\$ 2,140,438,884	\$ 1,674,260,302	\$ (466,178,582)	78.2%	\$ 440,071,449	105.9%
6/30/2010	\$ 2,297,871,345	\$ 1,815,671,616	\$ (482,199,729)	79.0%	\$ 434,023,381	111.1%
6/30/2011	\$ 2,486,708,579	\$ 1,981,073,089	\$ (505,635,490)	79.7%	\$ 427,300,410	118.3%



**SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013**

NOTE 11 – RISK MANAGEMENT

The San Miguel Community Services District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions and natural disasters. During the year ending June 30, 2013, the District contracted with the Special District Risk Management Authority (the Authority) for workers' compensation, and property and liability insurance coverage. The District's annual premium payments were \$13,219 for workers' compensation and \$24,823 for property and liability coverage. The relationship between the District and the Authority is such that it is not a component unit of the District for financial reporting purposes. The Authority has reporting requirements independent of members units and its financial statements are not presented in these final statements. Audited financial statements are generally available from the Authority.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Litigation

The District is not currently a party to any legal proceedings.



**SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013**

NOTE 13 - FUND BUDGETS

The District requires that all funds be budgeted. The annual budget is prepared by the District Manager and submitted to the District Board for adoption. A budget has been prepared for both governmental funds and proprietary funds.

A budget analysis for governmental funds is included as supplementary information in the financial statements (pages 14-15). All unencumbered appropriations in the budget lapse at the end of the fiscal year. The following has been prepared to report operations and ending fund balance:

	<u>Enterprise Funds</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Operating Revenues	\$754,500	\$754,500	\$ 803,295	\$ 48,795
Operating Expenses	(884,624)	(884,624)	(725,406)	159,218
Net Operating Income	(130,124)	(130,124)	77,889	208,013
Non-Operating Revenues	40,100	40,100	289,635	249,535
Non-Operating Expenses	-	-	(85,196)	(85,196)
Income before Transfers	40,100	40,100	282,328	457,548
Transfers In/Out-Internal Activites	-	-	(29,666)	-
Chang in Net Assets			252,662	
Net Assets at the Beginning of Year			<u>3,972,495</u>	
Net Assets at the End of Year			<u><u>\$4,225,157</u></u>	

**SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013**

NOTE 14 - SEWER FUND

Management has elected to consolidate the sewer and refuse funds in the current year. The refuse fund was not material and thus was consolidated into the sewer fund. The following financial data shows the refuse financial activity:

Cash	\$0
Receivables	\$ 4,100
Revenues	\$26,097





Blomberg & Griffin Accountancy Corporation
Certified Public Accountant

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

Board of Directors
San Miguel Community Services District
San Miguel, CA

We have audited the financial statements of the San Miguel Community Services District (District), as of and for the year ended June 30, 2013, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 14, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Independent Auditor's Findings and District Responses that we consider to be significant deficiencies in internal control over financial reporting 2013-1 through 2013-22. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Miguel 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Independent Auditor's Findings and District Responses as items 2013-1 through 2013-22.

We noted certain matters that we reported to management of San Miguel Community Services District, in this report dated August 14, 2013.

San Miguel Community Services District's response to the findings identified in our audit is described in the accompanying Independent Auditor's Findings and District Responses. We did not audit the District's response and, accordingly, we express no opinion on it.

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

Blomberg & Griffin A.C.
Blomberg & Griffin A.C.
August 14, 2013

SAN MIGUEL COMMUNITY SERVICES DISTRICT
Independent Auditor's Findings and District Responses
June 30, 2013

Internal Control Over Financial Reporting

Finding 2013-01: Invoices (1)

The invoice should have the account number & class to which the invoice is being recorded.

District Response: Each invoice to be paid will have the account number and class recorded on the invoice.

Findings 2013-02: Invoices (2)

The District should send an invoice on embezzlement cases.

District Response: The District's legal counsel is working with the District Attorney's Office to obtain a payment program on both embezzlement cases.

Findings 2013-03: Financial Audit

Independent financial audit should be conducted annually and on a timely basis. The controller's report is considered late, if an independent audit is not conducted and completed within one year of the fiscal year end. Please note a late controller's report can be subject up to a \$5,000 penalty.

District Response: The District has contracted with Blomberg & Griffin Accountancy Corp to conduct fiscal year audits and preparation of timely financial statements.

Findings 2012-04: Proper Change to Customers

Personnel should return the correct change to customers of the District.

District Response: General Manager is asking the Board of Directors to authorize the hiring of a full-time Bookkeeper Position that will provide assistance to the person currently handling the cash of the District.

Findings 2012-05: Bank Reconciliation

The District should reconcile the bank account on a monthly basis.

District Response: Monthly bank statements are being reconciled every month.

Findings 2012-06: Depreciation Schedule

The District should have a copy of the depreciation schedule on file.

District Response: The depreciation schedule will be done by the new Bookkeeper position.

SAN MIGUEL COMMUNITY SERVICES DISTRICT

Independent Auditor's Findings and District Responses

June 30, 2013

Internal Control Over Financial Reporting (Continued)

Page 2

Findings 2013-07: Payroll Penalty

The District has paid penalty and interest fees due to not paying payroll taxes on a timely basis.

District Response: All payroll taxes are being paid on a timely basis now and a check and balance has been instituted.

Findings 2013-08: Late Penalty Fees

The District should pay on time to not accrue extra unneeded expenses

District Response: The District will be hiring a Bookkeeper and this position will be responsible for timely payment of expenses.

Findings 2013-09: Office Procedures Manual

The District should have an office procedures manual (HR manual)

District Response: Bookkeeper position will be responsible for the preparation of a HR manual (Office Procedures Manual).

Findings 2013-10: Reimbursement Procedures Manual

The District should have a reimbursement procedures manual

District Response: Chapter Six-General deals with business travel & reimbursements, section 6000 of SMCS D personnel policies.

Findings 2013-11: Adjusting Journal Entries

The District should have on file a copy of the adjusting journal entries of the prior year

District Responses: A file will be set up to file copies of adjusting journal entries of the prior year.

Findings 2013-12: Notes Payables

The District should have on file each liability and be aware of the long-term liabilities of the District. District did not record two notes payable. One issued in 2000 and the other issued 1994.

District Response: File will be created and maintain

SAN MIGUEL COMMUNITY SERVICES DISTRICT
Independent Auditor's Findings and District Responses
June 30, 2013

Internal Control Over Financial Reporting (Continued)

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Findings 2013-13: Reconciliation Discrepancies

There should not be reconciliation discrepancies in the profit & loss statement. The bank account should reconcile.

District Response: The District agrees with above finding.

Findings 2013-14: Time Cards

Supervisor and employees should sign time cards to verify the review of time cards

District Response: Current and future payroll will be signed by employee, employees' supervisor, and the General Manager.

Findings 2013-15: Approval of Salaries

The Board of Directors should approve all raises and new employees of the District. The prior manager approved a new full-time utility supervisor at \$36, which is not part of the District salary schedule.

District Response: The District agrees with the above finding.

Findings 2013-16: Storage of Invoices

The District should hold invoices and organize invoices to locate them when needed.

District Response: Filing of invoices, paid and unpaid shall be done in a manner which enables them to be found when needed.

Findings 2013-17: Classification by Fund

Transactions should be properly classified by fund and the invoices should show the break-down of the classification of fund type(s).

District Response: The District supports this finding.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
Independent Auditor's Findings and District Responses
June 30, 2013

Internal Control Over Financial Reporting (Continued)

Page 4

Findings 2013-18: Bank Draft Fees

The District should hold enough cash deposits in the various cash account to not accrue bank draft fees of \$28.

District Response: The District agrees with this finding and will hold enough cash deposits to prevent the payment of Bank Draft Fees.

Findings 2013-19: CalPERS Retirement Contribution

The employee portion of CalPERS retirement contribution should not be recorded to the retirement account. The total gross wages should be recorded to its respected accounts. Any amount that is payable to the CalPERS Retirement System should be recorded as a payable. When the payable is paid the cash should be decreased (credited) and the payable should be decreased (debited) to show that the liability has been paid.

District Response: The District will comply with this finding.

Findings 2013-20: Credit Card Fraud

The District should have a policy to protect credit cards of the District. The number was stolen and used fraudulently. The purchases were later reimbursed in the credit card statement.

District Response: Policy to protect credit cards of the District will be developed to comply with this finding.

Findings 2013-21: Accounting Policy

The District should have an accounting policy on how to record the transactions of the District. The District books should be equal to the audit report unless there is an adjustment made for "financial statement reporting purposes."

District Response: The District will develop an Accounting Policy to comply with this finding.

Findings 2013-22: Accounting Personnel

The District should hire or train personnel that are experienced in accounting.

District Response: The District will hire additional qualified individuals that have the necessary accounting skills to comply with this finding.