DE LUZ COMMUNITY SERVICES DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2017

Leaf & Cole, LLP
Certified Public Accountants

DE LUZ COMMUNITY SERVICES DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2017

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Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

Independent Auditor's Report

To the Board of Directors
De Luz Community Services District
41606 Date Street, Suite 205
Murrieta, California 92562

Report on Financial Statements

We have audited the accompanying financial statements of the De Luz Community Services District, which comprise the statement of net position as of June 30, 2017, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 and the State Controller's minimum audit requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks 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.

2810 Camino Del Rio South, Suite 200, San Diego, California 92108-3820
619.294.7200, 619.294.7077 fax, www.leaf-cole.com, leafcole@leaf-cole.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the De Luz Community Services District as of June 30, 2017, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of plan's proportionate share of the net pension liability and the schedules of plan contributions be presented to supplement the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Leaf & Cole LLP

San Diego, California
October 26, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the financial performance of De Luz Community Service District (District) provides an overview of the District's financial activities for the year ended June 30, 2017. Please read it in conjunction with the District's financial statements, which begin on page 8.

Financial Statements

This discussion and analysis provides an introduction and a brief description of the District's financial statements, including the relationship of the statements to each other and the significant differences in the information they provide. The District's financial statements include four components:

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- Statement of Cash Flows
- Notes to the Financial Statements

The statement of net position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position may be displayed in three categories:

- Net investment in capital assets
- Restricted Net Position
- Unrestricted Net Position

The statement of net position provides the basis for computing rate of return, evaluating the capital structure of the District and assessing its liquidity and financial flexibility.

The statement of revenues, expenses and changes in net position presents information which shows how the District's net position changed during the year. All of the current year's revenues and expenses are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows. The statement of revenues, expenses and changes in net position measures the success of the District's operations over the past year and determines whether the District has recovered its costs through benefit fees and other charges.

The statement of cash flows provides information regarding the District's cash receipts and cash disbursements during the year. This statement may report cash activity in four categories:

- Operating
- Investing
- Capital financing
- Noncapital financing

This statement differs from the statement of revenues, expenses and changes in net position because the statement accounts only for transactions that result in cash receipts or cash disbursements.

The notes to the financial statements provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Highlights

- The District's net position increased $117,269 to $18,129,600 for the year ended June 30, 2017.
- The District's total revenues increased from $2,449,365 for the year ended June 30, 2016 to $2,519,252 for the year ended June 30, 2017.
- The District's total expenses increased from $1,806,129 for the year ended June 30, 2016 to $2,401,983 for the year ended June 30, 2017. The increase in general contract and P.O. work accounts for the majority of the increase.

Financial Analysis of the District

Net Position

The following is a summary of the District's statements of net position at June 30:

	2017	2016	Dollar Change
Assets:			
Current and other assets	$ 6,204,609	$ 5,658,518	$ 546,091
Capital assets	13,142,598	13,779,244	(636,646)
Total Assets	19,347,207	19,437,762	(90,555)
Deferred Outflows of Resources	387,863	209,619	178,244
Liabilities:			
Current liabilities	92,562	114,625	(22,063)
Noncurrent liabilities	1,478,750	1,435,560	43,190
Total Liabilities	1,571,312	1,550,185	21,127
Deferred Inflows of Resources	34,158	84,865	(50,707)
Net Position:			
Net investment in capital assets	12,820,253	13,423,664	(603,411)
Unrestricted	5,309,347	4,588,667	720,680
Total Net Position	$ 18,129,600	$ 18,012,331	$ 117,269

As noted in the financial highlights above, net position increased by $117,269 from fiscal year 2016 to 2017. Net investment in capital assets decreased $603,411 in fiscal year 2017. This decrease is the result of depreciation expense exceeding the District's investment in capital assets in fiscal year 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Revenues, Expenses and Changes in Net Position

The following is a summary of the District's revenues, expenses and changes in net position for the years ended June 30:

	2017	2016	Dollar Change
Operating revenues	$ 2,427,807	$ 2,431,615	$ (3,808)
Nonoperating revenues	91,445	17,750	73,695
Total Revenues	2,519,252	2,449,365	69,887
Depreciation expense	636,646	648,083	(11,437)
Other operating expenses	1,744,630	1,062,830	681,800
Nonoperating expense	20,707	95,216	(74,509)
Total Expenses	2,401,983	1,806,129	595,854
Change in Net Position	117,269	643,236	(525,967)
Net Position at Beginning of Year	18,012,331	17,369,095	643,236
Net Position at End of Year	$ 18,129,600	$ 18,012,331	$ 117,269

A closer examination of the sources of changes in net position reveals that the District's operating revenues decreased by $3,808 in fiscal year 2017 as a result of decreased development mitigation fees. Nonoperating revenues increased by $73,695 most of which results from $56,715 in disaster revenue from the Federal Emergency Management Agency (FEMA) in fiscal year 2017. Operating expenses, exclusive of depreciation, increased $681,800 in fiscal year 2017 due to more general contract and P.O. work, asphalt restoration activity and repairs on existing roads. Nonoperating expenses decreased $74,509 in fiscal year 2017 as a result of a loss on disposal of capital assets recognized in fiscal year 2016.

Capital Assets

Capital assets consist of the following at June 30:

	2017	2016	Dollar Change
Capital Assets Being Depreciated:			
Roads	$ 21,869,614	$ 21,869,614	$ -
Culverts	3,144,129	3,144,129	-
Building	549,204	549,204	-
Construction equipment	202,526	202,526	-
Dips	180,383	180,383	-
Signs	161,079	161,079	-
Transportation equipment	130,740	130,740	-
Guard rails	101,697	101,697	-
Office furniture	31,766	31,766	-
Other assets	28,410	28,410	-
Total Capital Assets Being Depreciated	26,399,548	26,399,548	-
Less: Accumulated depreciation	(13,256,950)	(12,620,304)	(636,646)
Net Capital Assets Being Depreciated	13,142,598	13,779,244	(636,646)
Net Capital Assets	$ 13,142,598	$ 13,779,244	$ (636,646)

There were no additions of capital assets being depreciated for fiscal year 2017.

Capital Lease Obligation

The following is a summary of the District's capital lease obligation at June 30:

	2017	2016	Dollar Change
Capital lease obligation	$ 322,345	$ 355,580	$ (33,235)

The District reduced its capital lease obligation by $33,235 during the year ended June 30, 2017. No new debt has been issued. Details of the capital lease obligation can be found in Note 6 to the financial statements.

Economic Factors and Next Year's Budget

The District's Board of Directors and management consider many factors when setting the fiscal year budget. In a comparison of the 2018 and 2017 budgets, operating revenues and expenses remain relatively similar. The District anticipates future cost savings being achieved by reductions in benefit packages offered to new hires.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it changes. If you have questions about this report or need additional financial information, contact the De Luz Community Services District at 41606 Date Street, Suite 205, Murrieta, California 92562-7090 or call (951) 696-0060.

DE LUZ COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS	
Current Assets: (Notes 1 and 2)	
Cash and cash equivalents	$ 5,743,158
Benefit fees receivable	214,504
Franchise fee receivable	54,247
Disaster revenue receivable	56,715
Accrued interest receivable	10,978
Prepaid expenses	30,427
Total Current Assets	6,110,029
Noncurrent Assets:	
Restricted Assets: (Notes 1, 2 and 3)	
Cash and cash equivalents	94,580
Total Restricted Assets	94,580
Capital Assets: (Notes 1, 4 and 6)	
Depreciable, net of accumulated depreciation	13,142,598
Total Capital Assets	13,142,598
Total Noncurrent Assets	13,237,178
TOTAL ASSETS	$ 19,347,207
DEFERRED OUTFLOWS OF RESOURCES: (Notes 1 and 9)	
Deferred outflows related to contributions	143,840
Deferred outflows related to pensions	244,023
Total Deferred Outflows of Resources	387,863

(Continued)

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

DE LUZ COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2017

LIABILITIES		
Current Liabilities: (Notes 1, 5 and 6)		
Accounts payable	$	57,894
Accrued payroll		17,305
Current portion of capital lease obligation		17,363
Total Current Liabilities		92,562
Noncurent Liabilities:		
Liabilities Payable From Restricted Assets: (Notes 1, 3, 5, 7 and 8)		
Due to Assessment District 90-1		7,371
Deposits		87,209
Total Liabilities Payable From Restricted Assets		94,580
Other Noncurrent Liabilities: (Notes 1, 5 and 6)		
Net pension liability		1,032,600
Compensated absences		46,588
Capital lease obligation		304,982
Total Other Noncurrent Liabilities		1,384,170
Total Noncurrent Liabilities		1,478,750
Total Liabilities		1,571,312
DEFERRED INFLOWS OF RESOURCES (Notes 1 and 9)		
Deferred inflows related to pensions		34,158
Commitments and Contingencies (Notes 9 and 10)		
NET POSITION:		
Net investment in capital assets		12,820,253
Unrestricted		5,309,347
Total Net Position	$	18,129,600

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

DE LUZ COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

Operating Revenues:	
Benefit fees	$ 2,317,156
Franchise fees	54,247
Development mitigation fees	36,493
Permit income	12,333
Miscellaneous income	7,458
Bid package income	120
Total Operating Revenues	2,427,807
Operating Expenses:	
General contract and P.O. work	701,038
Depreciation	636,646
General and administrative	620,787
Sheriff expense	244,665
In-house road maintenance	178,140
Total Operating Expenses	2,381,276
Operating Income	46,531
Nonoperating Revenues (Expenses):	
Disaster revenue	56,715
Interest income	34,730
Interest expense	(20,707)
Total Nonoperating Revenues (Expenses)	70,738
Change in Net Position	117,269
Net Position at Beginning of Year	18,012,331
NET POSITION AT END OF YEAR	$ 18,129,600

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

DE LUZ COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

Cash Flows From Operating Activities:	
Cash received from customers	$ 2,390,140
Cash payments to suppliers for goods and services	(1,312,744)
Cash payments to employees for services	(515,961)
Net Cash Provided by Operating Activities	561,435
Cash Flows From Capital and Related Financing Activities:	
Payments on capital lease obligation	(33,235)
Interest paid on capital lease obligation	(20,707)
Payments on due to Assessment District 90-1, net	(98,409)
Receipt of deposits, net	800
Net Cash Used in Capital and Related Financing Activities	(151,551)
Cash Flows From Investing Activities:	
Interest income	29,689
Net Cash Provided by Investing Activities	29,689
Net Increase in Cash and Cash Equivalents	439,573
Cash and Cash Equivalents at Beginning of Year	5,398,165
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 5,837,738
Cash and Cash Equivalents:	
Financial Statement Classification:	
Cash and cash equivalents	$ 5,743,158
Restricted cash and cash equivalents	94,580
Total Cash and Cash Equivalents	$ 5,837,738

(Continued)

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

DE LUZ COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017

Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating income	$ 46,531
Adjustments to reconcile operating income to	
net cash provided by operating activities:	
Depreciation	636,646
(Increase) Decrease in:	
Benefit fees receivable	(33,834)
Francise fees receivable	(3,833)
Prepaid expenses	(7,095)
Deferred outflows related to contributions	(42,795)
Deferred outflows related to pensions	(135,449)
Increase (Decrease) in:	
Accounts payable	(5,124)
Accrued payroll	(1,066)
Net pension liability	155,288
Compensated absences	2,873
Deferred inflows related to pensions	(50,707)
Net Cash Provided by Operating Activities	$ 561,435

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

Note 1 - Organization and Significant Accounting Policies:

Organization

The De Luz Community Services District (formerly Santa Rosa Community Services District) was created as a Community Services District in 1978 by the Local Agency Formation Commission pursuant to Government Code Section 61000, and is governed by an elected five member board. The District was organized for the purpose of providing street improvements and maintenance, refuse disposal, and supplementary police protection within its geographical boundaries.

The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Cod. Sec. 2100 "Defining the Financial Reporting Entity." The District is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the District appoints a voting majority of the component unit's board, or because the component unit will provide a financial benefit or impose a financial burden on the District. The District has no component units.

Significant Accounting Policies

A summary of the District's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Method of Accounting

The District utilizes accounting principles appropriate for an enterprise fund to record its activities. Accordingly, the statement of net position and the statement of revenues, expenses and changes in net position have been prepared using the economic resources measurement focus and the accrual basis of accounting.

The District has not elected to apply the option allowed in GASB Cod. Sec. P80. 103 "Proprietary Fund Accounting and Financial Reporting" and as a consequence will continue to apply GASB Statements and Interpretations.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

The District recognizes revenues from benefit and other fees when they are earned. Operating activities generally result from providing services and producing and delivering goods. As such, the District considers benefit and other fees to be operating revenues.

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Investments

Investments are stated at their fair value, which represents the quoted or stated market value. Investments that are not traded on a market, such as investments in external pools, are valued based on the stated fair value as represented by the external pool.

Allowance for Doubtful Accounts

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding receivables. The allowance for doubtful benefit fees totaled $21,129 at June 30, 2017.

Taxes and Assessments

The District's assessments are billed by the County of Riverside (County) to property owners. The District's property tax calendar for the fiscal year ended June 30, 2017 was as follows:

Lien Date:	January 1
Levy Date:	July 1
Due Date:	First Installment - November 1
	Second Installment - February 1
Delinquent Date:	First Installment - December 10
	Second Installment - April 10

The County collects the taxes from the property owners and remits the funds to the District periodically during the year. The District has an arrangement with the County whereby the County remits taxes which are delinquent as of each June 30 to the District in exchange for the right to retain the delinquent taxes, penalties, and interest when these amounts are subsequently collected.

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Capital Assets

Capital assets purchased or acquired with a cost exceeding $5,000 and an estimated useful life of more than one year are reported at historical cost. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is calculated on the straight-line method over the following estimated useful lives:

	Useful Life
Roads	40 years
Culverts	45 years
Building	40 years
Construction equipment	7 years
Dips	20 years
Signs	20 years
Transportation equipment	5 years
Guard rails	20 years
Office furniture	7 years
Other assets	7 years

Depreciation aggregated $636,646 for the year ended June 30, 2017.

Interest

The District incurs interest charges on noncurrent liabilities. No interest was capitalized as a cost of construction for the year ended June 30, 2017.

Classification of Liabilities

Certain liabilities which are currently payable have been classified as noncurrent because they will be funded from restricted assets.

Compensated Absences

Accumulated and unpaid vacation totaling $46,588 is accrued when incurred and included in noncurrent liabilities at June 30, 2017.

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources and deferred inflows of resources are defined as a consumption of net assets by the District that is applicable to a future period and an acquisition of net assets by the District that is applicable to a future reporting period respectively. Deferred outflows of resources and deferred inflows of resources related to pensions are more fully described in Note 9.

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District pays an annual premium for commercial insurance covering bodily injury, property damage, personal injury, non-owned and hired automobile liability, owned automobile liability-combined single limit, and public official's errors and omissions with a $5 million limit per occurrence and annual aggregate limit and a $1,000 deductible. In addition, the District carries commercial insurance for other risks of loss such as fire damage liability and uninsured motorist with a $1 million limit and a $1,000 deductible. The District also carries coverage for employment practices liability with a $5 million limit and a $10,000 deductible. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows related to pensions, and pension expense, information about the fiduciary net pension 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 (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at the CalPERS website under Forms and Publications.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Measurement Period	June 30, 2015 to June 30, 2016

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Fair Value Measurements

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

- Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investment.

The District's statements of financial position include the following financial instruments that are required to be measured at fair value on a recurring basis:

- Investments in the California Local Agency Investment Fund (LAIF) are considered Level 2 assets and are reported at the fair value of the underlying assets as provided LAIF.

Economic Dependency

Benefit fees are derived exclusively from property owners who reside within the District's boundaries.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all investment instruments purchased with a maturity of three months or less to be cash equivalents.

Subsequent Events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through October 26, 2017, the date the financial statements were available to be issued.

Note 2 - Cash and Investments:

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provision of the California Government Code or the District's investment policy:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Quality Requirements
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations	5 years	None	None
CA. Local Agency Obligations	5 years	None	None
U.S. Agencies Securities	5 years	None	None
Bankers' Acceptances	180 days	40%	None
Commercial Paper	270 days	25%	A1
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	A Rating
Mutual Funds	N/A	20%	Multiple
Money Market Mutual Funds	N/A	20%	Multiple
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	AA Rating
Time Deposits	5 years	None	None
California Local Agency Investment Funds (LAIF)	N/A	None	None
County Pooled Investments	N/A	None	None

The District's Investment Policy is more restrictive than the California Government Code in the following ways:

- No investment of funds of the District shall be permitted in repurchase or reverse repurchase agreements presently permitted by Government Code Section 53601(i) and 53635(i), or financial futures or financial option contracts presently permitted by Government Code Section 53601.

- All investments shall mature not later than 365 days from the date of investment.

Note 2 - Cash and Investments: (Continued)

Investments Authorized by the California Government Code and the District's Investment Policy (Continued)

Cash and investments held by the District were comprised of the following at June 30, 2017:

	Maturity in 1 Year or Less
Cash on hand	$ 300
California Local Agency Investment Fund (LAIF)	4,767,220
Deposits with financial institutions	1,070,218
Total Cash and Equivalents	$ 5,837,738
Financial Statement Classification:	
Current:	
Cash and cash equivalents	$ 5,743,158
Restricted:	
Cash and cash equivalents	94,580
Total Cash and Equivalents	$ 5,837,738

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk is by investing only in cash deposits with financial institutions and the California Local Agency Investment Fund in order to provide the liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided in the previous table that shows the distribution of the District's investments by maturity at June 30, 2017.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of the year end for each investment type.

Investment	Rating as of Year End Standard & Poor's
California Local Agency Investment Fund (LAIF)	Not Rated

Note 2 - Cash and Investments: (Continued)

Concentration of Credit Risk

Concentration of credit is the risk of loss attributed to the magnitude to the District's investment in a single issue.

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The District holds no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments at June 30, 2017.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counter-party (e.g., broker-dealer) the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2017, none of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. At June 30, 2017, no District investments were held by the same broker-dealer (counterparty) that was used by the District to buy the securities.

Investment in State Investment Pool

The District is a voluntary participant in the California Local Agency Investment Fund (LAIF) that is regulated by California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The statement of cash flows has been prepared by considering all investments purchased with a maturity of three months or less to be cash equivalents. The following is a detail at June 30, 2017:

California Local Agency Investment Fund (LAIF)	$ 4,767,220
Deposits with financial institutions	1,070,218
Cash on hand	300
Total	$ 5,837,738

Note 3 - Restricted Assets:

Restricted assets were provided by, and are to be used for, the following at June 30, 2017:

Funding Source	Use		
Deposits	Deposits	$	87,209
Bond proceeds and interest earned	Redemption fund (AD 90-1)		5,836
Bond proceeds and interest earned	Reserve fund (AD 90-1)		1,535
		$	94,580

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as necessary.

Note 4 - Capital Assets:

Capital assets consist of the following at June 30:

	Balance at June 30, 2016	Additions	Deletions	Balance at June 30, 2017
Capital Assets Being Depreciated:				
Roads	$ 21,869,614	$ -	$ -	$ 21,869,614
Culverts	3,144,129	-	-	3,144,129
Building	549,204	-	-	549,204
Construction equipment	202,526	-	-	202,526
Dips	180,383	-	-	180,383
Signs	161,079	-	-	161,079
Transportation equipment	130,740	-	-	130,740
Guard rails	101,697	-	-	101,697
Office furniture	31,766	-	-	31,766
Other assets	28,410	-	-	28,410
Total Capital Assets Being Depreciated	26,399,548	-	-	26,399,548
Less Accumulated Depreciation For:				
Roads	(10,338,671)	(540,444)	-	(10,879,115)
Culverts	(1,422,718)	(70,898)	-	(1,493,616)
Building	(94,778)	(13,730)	-	(108,508)
Construction equipment	(201,351)	(336)	-	(201,687)
Dips	(161,413)	(1,487)	-	(162,900)
Signs	(161,079)	-	-	(161,079)
Transportation equipment	(97,785)	(5,815)	-	(103,600)
Guard rails	(88,384)	(1,284)	-	(89,668)
Office furniture	(28,978)	(1,394)	-	(30,372)
Other assets	(25,147)	(1,258)	-	(26,405)
Total Accumulated Depreciation	(12,620,304)	(636,646)	-	(13,256,950)
Net Capital Assets Being Depreciated	13,779,244	(636,646)	-	13,142,598
Net Capital Assets	$ 13,779,244	$ (636,646)	$ -	$ 13,142,598

Note 5 - Noncurrent Liabilities:

Noncurrent liabilities consist of the following at June 30:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year
Due to Assessment District 90-1 (Note 7)	$ 105,780	$ 35	$ (98,444)	$ 7,371	$ -
Deposits (Note 8)	86,409	20,400	(19,600)	87,209	-
Net pension liability (Note 9)	877,312	256,333	(101,045)	1,032,600	-
Compensated absences (Note 1)	43,715	45,078	(42,205)	46,588	-
Capital lease obligation (Note 6)	355,580	-	(33,235)	322,345	17,363
	$ 1,468,796	$ 321,846	$ (294,529)	$ 1,496,113	$ 17,363

Note 6 - Capital Lease Obligation:

In January 2010, the District acquired a building for use as its corporate offices using the proceeds of a site lease dated October 21, 2009, between Municipal Finance Corporation as lessee and the District as lessor. The District as lessee is leasing the building back from Municipal Finance Corporation under the terms of a capital lease obligation of the same date. The capital lease obligation calls for semi-annual payments of $26,953 commencing on July 7, 2010, and maturing January 7, 2025. Municipal Finance Corporation has assigned all of its rights, title and interest in this capital lease obligation to City National Bank. For financial reporting purposes, minimum lease payments relating to the building have been capitalized and included in capital assets on the statement of net position. The building under capital lease has a cost of $549,204, net of accumulated depreciation of $108,509 at June 30, 2017. The following is a schedule of the related future minimum lease payments under the capital lease obligation:

Years Ended June 30	Principal	Interest	Total
2018	$ 17,363	$ 9,590	$ 26,953
2019	36,291	17,614	53,905
2020	38,483	15,423	53,906
2021	40,807	13,099	53,906
2022	43,271	10,635	53,906
2023 - 2025	146,130	15,587	161,717
Total	$ 322,345	$ 81,948	$ 404,293

Note 7 - Due to Assessment District 90-1:

The District has participated in the issuance of bonds aggregating $1,479,156 for Assessment District 90-1 within its boundaries which were paid-in-full at June 30, 2017. The bonds are not secured by the general taxing power of the District, the County of Riverside, the State of California, or any of its political subdivisions. Interest on and principal of the bonds are payable solely from monies in the corresponding reserve and redemption funds held by the District, and are secured by unpaid assessments which represent fixed liens on the properties assessed. The District has no liability for the bonds, contingent or otherwise. The following is a detail of amounts due to Assessment District 90-1 at June 30, 2017:

Redemption fund	$ 5,836
Reserve fund	1,535
Total Due to Assessment District 90-1	$ 7,371

Note 8 - Deposits:

Deposits consist of amounts collected from property owners and developers for inspections as well as funding future improvements. Deposits consist of the following at June 30, 2017:

Permits	$ 44,800
Utilities	22,000
Deposits for future improvements	20,409
Total Deposits	$ 87,209

Note 9 - Defined Benefit Pension Plan:

General Information About the Pension Plan

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

Note 9 - Defined Benefit Pension Plan: (Continued)

General Information About the Pension Plans (Continued)

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. The Plan's provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Miscellaneous Prior to January 1, 2012
Benefit formula	2.5% @ 55
Benefit vesting schedule	5 years service
Benefit payments	Monthly for life
Retirement age	50 - 55
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%
Required employee contribution rates	8%
Required employer contribution rates	9.498%

Contribution Description - Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial process. The Plans actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2016 (measurement date), the active employee contribution rate is for employees hired prior to January 1, 2012 is 8.0% of annual payroll with the District paying 2% of that amount, and the employer's contribution rate is 9.498% of annual payroll. Employer contribution rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any employer paid member contributions or situations where members are paying a portion of the employer contribution.

The District's contribution to the Plan for the year ended June 30, 2017 were as follows:

Contributions - Employer	$ 110,173
Contributions - Employee (Paid by Employer)	$ 25,321

Note 9 - Defined Benefit Pension Plan: (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability determined in the June 30, 2015 actuarial valuation. The June 30, 2016 total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Change of Assumptions

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate was changed from 7.50% (net of administrative expense in 2015) to 7.65% as of the June 30, 2016 measurement date to correct the adjustment which previously reduced the discount rate for administrative expense.

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the test revealed that the assets would not run out. Therefore, the current 7.65% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained on CalPERS' website under the GASB 68 section.

Note 9 - Defined Benefit Pension Plan: (Continued)

Discount Rate (Continued)

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, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns on 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 the set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class.

Asset Class	Current Target Allocation	Real Return Years 1 - 10	Real Return Years 11 +
Growth	61.0%	5.4%	7.2%
Income	20.0	7.1	7.2
Real assets	12.0	(0.1)	7.3
Liquidity	1.0	1.7	3.0
Inflation	6.0	N/A	N/A
	100.0%		

Allocation of Net Pension Liability and Pension Expense to Individual Employers

The following table shows the District's proportionate share of the net pension liability over the measurement period.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (c) = (a) - (b)
Balance at June 30, 2015	$ 3,239,246	$ 2,361,934	$ 877,312
Balance at June 20, 2016	3,356,023	2,323,423	1,032,600
Net Changes During 2015 - 2016	$ 116,777	$ (38,511)	$ 155,288

Note 9 - Defined Benefit Pension Plan: (Continued)

Allocation of Net Pension Liability and Pension Expense to Individual Employers (Continued)

The net pension liability of the plan is measured as of June 30, 2016, and the total pension liability for the plan used to calculate the net pension liabilities was determined by an actuarial valuation of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the plan as of June 30, 2015 and 2016 was as follows:

	Miscellaneous
Proportion - June 30, 2015	0.023749%
Proportion - June 30, 2016	0.023310%
Change - Increase (Decrease)	(0.000439%)

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

The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65%) or 1 percentage-point higher (8.65%) than the current rate:

	Discount Rate -1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate +1% (8.65%)
Plan's Net Pension Liability	$ 659,189	$ 1,032,600	$ 1,484,425

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, actuarial gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred inflows and deferred outflows to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on pension plan investment	5 year straight-line amortization
All other amounts	Straight-line amortization over the expected remaining service lifetime (EARSL) of all members that are provided with pensions (active, inactive, and retired) as of the beginning of the measurement period

Note 9 - Defined Benefit Pension Plan: (Continued)

Amortization of Deferred Outflows and Deferred Inflows of Resources (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 Between Projected and Actual Investment Earnings on Pension Plan Investments at the measurement date is to be amortized over the remaining four-year period. 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 period on a net basis.

Deferred outflows of resources and deferred inflows of resources relating to Differences Between Expected and Actual Experience, Changes of Assumptions and employer-specific amounts should be amortized over the EARSL of members provided with pensions through the Plan. The EARSL for the Plan for the June 30, 2015 measurement date is 3.7 years, which was obtained by dividing the total service years by the total number of participants (active, inactive, and retired) in the Plan. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2017, the District recognized a pension expense of $70,177 for the Plan. As of June 30, 2017, the District reports deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	$ 143,840	$ -
Differences between actual contributions made and proportionate share of contributions	11,375	-
Differences between expected and actual experience	2,783	-
Changes of assumptions	-	34,158
Net difference between projected and actual earnings on pension plan investments	177,781	-
Adjustment due to difference in proportions	52,084	-
Total	$ 387,863	$ 34,158

Note 9 - Defined Benefit Pension Plan: (Continued)

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions (Continued)

The $143,840 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. Other amounts reported as deferred outflows and deferred inflows of resources in the previous chart will be recognized in future pension expense as follows:

Measurement Period Ended June 30	Deferred Outflows/(Inflows) of Resources
2018	$ 55,904
2019	55,904
2020	53,612
2021	44,445
Total	$ 209,865

Note 10 - Commitments and Contingencies:

Operating Lease

The District leases a yard to store their equipment. This lease commenced June 1, 2007, and will continue thereafter until terminated by either party upon sixty (60) days written notice to the other party. The lease provides for monthly rental charges of $600. Rental expense under this lease was $7,200 for the year ended June 30, 2017.

Other Post Employment Benefit (OPEB)

Other than what is provided in the form of pension benefits to its retirees, the District does not pay for additional postemployment benefits.

Note 11 - New Governmental Accounting Standards:

GASB No. 73

In June 2015, The Governmental Accounting Standards Board issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68." The requirements of this statement addressing accounting and financial reporting for employers that are not within the scope of GASB 68 are effective for financial statements for fiscal years beginning after June 15, 2016. All other provisions are effective for periods beginning after June 15, 2015. This pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

Note 11 - New Governmental Accounting Standards: (Continued)

GASB No. 74

In June 2015, the Governmental Accounting Standards Board issued Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other than Pension Plans." This pronouncement is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged. This pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

GASB No. 75

In June 2015, the Government Accounting Standards Board issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension". This Statement is effective for financial statements for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The District has not yet determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

GASB No. 77

In August 2015, the Governmental Accounting Standards Board issued Statement No. 77, "Tax Abatement Disclosures". The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged. This pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

GASB No. 78

In December 2015, the Governmental Accounting Standards Board issued Statement No. 78, "Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plan". The requirements of this Pronouncement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. This pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

GASB No. 80

In January 2016, the Government Accounting Standards Board issued Statement No. 80, "Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14". The requirements of this pronouncement are effective for reporting period beginning after June 15, 2016. Earlier application is encouraged. This pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

Note 11 - New Governmental Accounting Standards: (Continued)

GASB No. 81

In March 2016, the Governmental Accounting Standards Board issued Statement No. 81, "Irrevocable Split-Interest Agreements". The requirements of this Pronouncement are effective for financial statements for period beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged. The District has not yet determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

GASB No. 82

In March 2016, the Governmental Accounting Standards Board issued Statement No. 82, "Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73". The requirements of this Pronouncement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged. The District has not yet determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

GASB No. 83

In November 2016, the Governmental Accounting Standards Board issued Statement No. 83 " Certain Asset Retirement Obligations". The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier Application is encouraged. The District has not determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

GASB No. 84

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84 "Fiduciary Activities". The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier Application is encouraged. The District has not determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

GASB No. 85

In March 2017, the Governmental Accounting Standards Board issued Statement No. 85 "Omnibus 2017". The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The District has not determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

Note 11 - New Governmental Accounting Standards: (Continued)

GASB No. 86

In May 2017, the Governmental Accounting Standards Board issued Statement No. 86 "Certain Debt Extinguishment Issues". The requirements of this Statement are effective for reporting periods beginning after December 15, 2017. Earlier Application is encouraged. The District has not determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

GASB No. 87

In June 2017, the Governmental Accounting Standards Board issued Statement No. 87 "Leases". The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The District has not determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

DE LUZ COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

SCHEDULES OF PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY LAST TEN YEARS *

	Measurement Date June 30, 2016	Measurement Date June 30, 2015	Measurement Date June 30, 2014
Proportion of the Collective Net Pension Liability	0.031987%	0.023310%	0.029383%
Proportionate Share of the Collective Net Pension Liability	1,032,600	877,312	726,206
Covered-Employee Payroll	400,074	392,147	398,462
Proportionate Share of the Collective Net Pension Liability as Percentage of Covered-Employee Payroll	258.10%	223.72%	182,25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.23%	72.92%	77.30%

Notes to Schedule:

Benefit Changes - The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (aka Golden Handshakes).

Changes in Assumptions - The discount rate was changes from 7.5 percent (net of administrative expense in 2015) to 7.65 percent to correct for an adjustment to exclude administrative expense.

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

DE LUZ COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

SCHEDULES OF PLAN CONTRIBUTIONS
LAST TEN YEARS *

	Fiscal Year 2016 - 2017	Fiscal Year 2015 - 2016	Fiscal Year 2014 - 2015
Actuarial Determined Contribution	$ 143,840	$ 101,045	$ 91,576
Contributions in Relation to the Actuarially Determined Contribution	143,840	101,045	91,576
Contribution Deficiency (Excess)	$ -	$ -	$ -
Covered Payroll	$ 415,607	$ 400,074	$ 392,147
Contributions as a Percentage of Covered-Employee Payroll	34.61%	25.26%	23.35%

Notes to Schedule:

Fiscal Year End	June 30, 2017	June 30, 2016	June 30, 2015
Valuation Date	June 30, 2014	June 30, 2013	June 30, 2012

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Asset Valuation Method	Market Value	Market Value	Market Value
Discount Rate	7.65%	7.65%	7.50%
Projected Salary Increase	3.30% to 14.20% depending on Age, Service, and type of employment	3.30% to 14.20% depending on Age, Service, and type of employment	3.30% to 14.20% depending on Age, Service, and type of employment
Inflation	2.75%	2.75%	2.75%
Payroll Growth	3.00%	3.00%	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual production inflation growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual production inflation growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual production inflation growth of 0.25%

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