DE LUZ COMMUNITY SERVICES DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2018

Leaf & Cole, LLP
Certified Public Accountants

DE LUZ COMMUNITY SERVICES DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2018

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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, 2018, 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.

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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, 2018, 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
January 24, 2019

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, 2018. 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 $229,394 to $18,358,994 for the year ended June 30, 2018.
- The District's total revenues increased from $2,519,252 for the year ended June 30, 2017 to $2,884,179 for the year ended June 30, 2018.
- The District's total expenses increased from $2,401,983 for the year ended June 30, 2017 to $2,654,785 for the year ended June 30, 2018. The increase in general and administrative, and in-house road maintenance account 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:

	2018	2017	Dollar Change
Assets:			
Current and other assets	$ 7,222,356	$ 6,204,609	$ 1,017,747
Capital assets	12,481,777	13,142,598	(660,821)
Total Assets	19,704,133	19,347,207	356,926
Deferred Outflows of Resources	350,473	387,863	(37,390)
Liabilities:			
Current liabilities	130,248	92,562	37,686
Noncurrent liabilities	1,549,754	1,478,750	71,004
Total Liabilities	1,680,002	1,571,312	108,690
Deferred Inflows of Resources	15,610	34,158	(18,548)
Net Position:			
Net investment in capital assets	12,194,675	12,820,253	(625,578)
Unrestricted	6,164,319	5,309,347	854,972
Total Net Position	$ 18,358,994	$ 18,129,600	$ 229,394

As noted in the financial highlights above, net position increased by $229,394 from fiscal year 2017 to 2018. Net investment in capital assets decreased $625,578 in fiscal year 2018. This decrease is the result of depreciation expense exceeding the District's investment in capital assets in fiscal year 2018.

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:

	2018	2017	Dollar Change
Operating revenues	$ 2,391,318	$ 2,427,807	$ (36,489)
Nonoperating revenues	492,861	91,445	401,416
Total Revenues	2,884,179	2,519,252	364,927
Depreciation expense	679,262	636,646	42,616
Other operating expenses	1,956,821	1,744,630	212,191
Nonoperating expense	18,702	20,707	(2,005)
Total Expenses	2,654,785	2,401,983	252,802
Change in Net Position	229,394	117,269	112,125
Net Position at Beginning of Year	18,129,600	18,012,331	117,269
Net Position at End of Year	$ 18,358,994	$ 18,129,600	$ 229,394

A closer examination of the sources of changes in net position reveals that the District's operating revenues decreased by $36,489 in fiscal year 2018 as a result of an decrease in benefit fees and development mitigation fees. Nonoperating revenues increased by $401,416, most of which results from $414,166 in disaster revenue from the Federal Emergency Management Agency (FEMA) in fiscal year 2018. Operating expenses, exclusive of depreciation, increased $212,191 in fiscal year 2018 due to more in-house road maintenance and sheriff expenses. Nonoperating expenses decreased $2,005 in fiscal year 2018 as a result of reduced interest expense.

Capital Assets

Capital assets consist of the following at June 30:

	2018	2017	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	181,026	202,526	(21,500)
Dips	180,383	180,383	-
Signs	161,079	161,079	-
Transportation equipment	111,088	130,740	(19,652)
Guard rails	101,697	101,697	-
Office furniture	31,766	31,766	-
Other assets	28,410	28,410	-
Total Capital Assets Being Depreciated	26,358,396	26,399,548	(41,152)
Less: Accumulated depreciation	(13,876,619)	(13,256,950)	(619,669)
Net Capital Assets Being Depreciated	12,481,777	13,142,598	(660,821)
Net Capital Assets	$ 12,481,777	$ 13,142,598	$ (660,821)

There were $2,750 of additions to capital assets being depreciated and fully depreciated capital assets of $43,902 were retired during the year ended June 30, 2018.

Capital Lease Obligation

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

	2018	2017	Dollar Change
Capital lease obligation	$ 287,102	$ 322,345	$ (35,243)

The District reduced its capital lease obligation by $35,243 during the year ended June 30, 2018. 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 2019 and 2018 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2018

ASSETS

Current Assets: (Notes 1 and 2)	
Cash and cash equivalents	$ 6,748,127
Benefit fees receivable	214,480
Franchise fee receivable	57,133
Disaster revenue receivable	49,200
Accrued interest receivable	29,413
Prepaid expenses	29,594
Total Current Assets	7,127,947
Noncurrent Assets:	
Restricted Assets: (Notes 1, 2 and 3)	
Cash and cash equivalents	94,409
Total Restricted Assets	94,409
Capital Assets: (Notes 1, 4 and 6)	
Depreciable, net of accumulated depreciation	12,481,777
Total Capital Assets	12,481,777
Total Noncurrent Assets	12,576,186
TOTAL ASSETS	$ 19,704,133
DEFERRED OUTFLOWS OF RESOURCES: (Notes 1 and 8)	
Deferred outflows related to contributions	116,884
Deferred outflows related to pensions	233,589
Total Deferred Outflows of Resources	350,473

(Continued)

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

DE LUZ COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2018

LIABILITIES		
Current Liabilities: (Notes 1, 5 and 6)		
Accounts payable	$	91,290
Accrued payroll		20,546
Current portion of capital lease obligation		18,412
Total Current Liabilities		130,248
Noncurent Liabilities:		
Liabilities Payable From Restricted Assets: (Notes 1, 3, 5 and 7)		
Deposits		94,409
Total Liabilities Payable From Restricted Assets		94,409
Other Noncurrent Liabilities: (Notes 1, 5, 6 and 8)		
Net pension liability		1,150,158
Compensated absences		36,497
Capital lease obligation		268,690
Total Other Noncurrent Liabilities		1,455,345
Total Noncurrent Liabilities		1,549,754
Total Liabilities		1,680,002
DEFERRED INFLOWS OF RESOURCES (Notes 1 and 8)		
Deferred inflows related to pensions		15,610
Commitments and Contingencies (Note 9)		
NET POSITION:		
Net investment in capital assets		12,194,675
Unrestricted		6,164,319
Total Net Position	$	18,358,994

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, 2018

Operating Revenues:	
Benefit fees	$ 2,277,465
Franchise fees	57,133
Miscellaneous income	33,089
Development mitigation fees	13,862
Permit income	9,359
Bid package income	410
Total Operating Revenues	2,391,318
Operating Expenses:	
General contract and P.O. work	679,262
Depreciation	663,571
General and administrative	608,026
In-house road maintenance	402,216
Sheriff expense	283,008
Total Operating Expenses	2,636,083
Operating Loss	(244,765)
Nonoperating Revenues (Expenses):	
Disaster revenue	414,166
Interest income	78,695
Interest expense	(18,702)
Total Nonoperating Revenues (Expenses)	474,159
Change in Net Position	229,394
Net Position at Beginning of Year	18,129,600
NET POSITION AT END OF YEAR	$ 18,358,994

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, 2018

Cash Flows From Operating Activities:	
Cash received from customers	$ 2,388,456
Cash payments to suppliers for goods and services	(1,470,679)
Cash payments to employees for services	(338,054)
Net Cash Provided by Operating Activities	579,723
Cash Flows From Capital and Related Financing Activities:	
Proceeds from disaster revenue	421,681
Acquisition and construction of capital assets	(2,750)
Payments on capital lease obligation	(35,243)
Interest paid on capital lease obligation	(18,702)
Payments on due to Assessment District 90-1, net	(7,371)
Receipt of deposits, net	7,200
Net Cash Provided by Capital and Related Financing Activities	364,815
Cash Flows From Investing Activities:	
Interest income	60,260
Net Cash Provided by Investing Activities	60,260
Net Increase in Cash and Cash Equivalents	1,004,798
Cash and Cash Equivalents at Beginning of Year	5,837,738
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 6,842,536
Cash and Cash Equivalents:	
Financial Statement Classification:	
Cash and cash equivalents	$ 6,748,127
Restricted cash and cash equivalents	94,409
Total Cash and Cash Equivalents	$ 6,842,536

(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, 2018

Reconciliation of Operating Loss to Net Cash		
Provided by Operating Activities:		
Operating loss	$	(244,765)
Adjustments to reconcile operating loss to		
net cash provided by operating activities:		
Depreciation		663,571
(Increase) Decrease in:		
Benefit fees receivable		24
Francise fees receivable		(2,886)
Prepaid expenses		833
Deferred outflows related to contributions		26,956
Deferred outflows related to pensions		10,434
Increase (Decrease) in:		
Accounts payable		33,396
Accrued payroll		3,241
Net pension liability		117,558
Compensated absences		(10,091)
Deferred inflows related to pensions		(18,548)
Net Cash Provided by Operating Activities	$	579,723

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

DE LUZ COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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 $32,990 at June 30, 2018.

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, 2018 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 $663,571 for the year ended June 30, 2018.

Interest

The District incurs interest charges on noncurrent liabilities. No interest was capitalized as a cost of construction for the year ended June 30, 2018.

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 $36,497 is accrued when incurred and included in noncurrent liabilities at June 30, 2018.

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 8.

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, 2016
Measurement Date	June 30, 2017
Measurement Period	June 30, 2016 to June 30, 2017

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 January 24, 2019, 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, 2018:

	Maturity in 1 Year or Less
Cash on hand	$ 300
California Local Agency Investment Fund (LAIF)	6,701,560
Deposits with financial institutions	140,676
Total Cash and Equivalents	$ 6,842,536
Financial Statement Classification:	
Current:	
Cash and cash equivalents	$ 6,748,127
Restricted:	
Cash and cash equivalents	94,409
Total Cash and Equivalents	$ 6,842,536

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, 2018.

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, 2018.

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, 2018, none of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. At June 30, 2018, 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, 2018:

California Local Agency Investment Fund (LAIF)	$ 6,701,560
Deposits with financial institutions	140,676
Cash on hand	300
Total	$ 6,842,536

DE LUZ COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 3 - Restricted Assets:

Restricted assets were provided by, and are to be used for, the following at June 30, 2018:

Funding Source	Use	
Deposits	Deposits	$ 94,409

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, 2017	Additions	Deletions	Balance at June 30, 2018
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	250	(21,750)	181,026
Dips	180,383	-	-	180,383
Signs	161,079	-	-	161,079
Transportation equipment	130,740	2,500	(22,152)	111,088
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	2,750	(43,902)	26,358,396
Less Accumulated Depreciation For:				
Roads	(10,879,115)	(548,142)	-	(11,427,257)
Culverts	(1,493,616)	(87,173)	-	(1,580,789)
Building	(108,508)	(13,508)	-	(122,016)
Construction equipment	(201,687)	(378)	21,750	(180,315)
Dips	(162,900)	(522)	-	(163,422)
Signs	(161,079)	-	-	(161,079)
Transportation equipment	(103,600)	(11,172)	22,152	(92,620)
Guard rails	(89,668)	(1,156)	-	(90,824)
Office furniture	(30,372)	(758)	-	(31,130)
Other assets	(26,405)	(762)	-	(27,167)
Total Accumulated Depreciation	(13,256,950)	(663,571)	43,902	(13,876,619)
Net Capital Assets Being Depreciated	13,142,598	(660,821)	-	12,481,777
Net Capital Assets	$ 13,142,598	$ (660,821)	$ -	$ 12,481,777

Note 5 - Noncurrent Liabilities:

Noncurrent liabilities consist of the following at June 30:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Due to Assessment District 90-1	$ 7,371	$ -	$ (7,371)	$ -	$ -
Deposits (Note 7)	87,209	25,600	(18,400)	94,409	-
Net pension liability (Note 8)	1,032,600	253,284	(135,726)	1,150,158	-
Compensated absences (Note 1)	46,588	38,614	(48,705)	36,497	-
Capital lease obligation (Note 6)	322,345	-	(35,243)	287,102	18,412
	$ 1,496,113	$ 317,498	$ (245,445)	$ 1,568,166	$ 18,412

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 $122,016 at June 30, 2018. The following is a schedule of the related future minimum lease payments under the capital lease obligation:

Years Ended June 30	Principal	Interest	Total
2019	$ 18,412	$ 8,541	$ 26,953
2020	38,482	15,424	53,906
2021	40,806	13,100	53,906
2022	43,270	10,636	53,906
2023	45,884	8,022	53,906
2024 - 2025	100,248	7,565	107,813
Total	$ 287,102	$ 63,288	$ 350,390

Note 7 - 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, 2018:

Permits	$	46,000
Utilities		28,000
Deposits for future improvements		20,409
Total Deposits	$	94,409

Note 8 - 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.

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, 2018, 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
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%
Required employee contribution rates	7.946%
Required employer contribution rates	9.539%

Note 8 - Defined Benefit Pension Plan: (Continued)

General Information About the Pension Plans (Continued)

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, 2017 (measurement date), the active employee contribution rate is for employees hired prior to January 1, 2012 is 7.946% of annual payroll with the District paying 2% of that amount, and the employer's contribution rate is 9.539% 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, 2018 were as follows:

Contributions - Employer	$ 116,884
Contributions - Employee (Paid by Employer)	$ 32,163

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability determined in the June 30, 2016 actuarial valuation. The June 30, 2017 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	7.15%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50%
Mortality Rate Table	Derived using CalPERS' membership data for all funds

All other actuarial assumptions used in the June 30, 2016 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.

Note 8 - Defined Benefit Pension Plan: (Continued)

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 7.65% to 7.15% as of the June 30, 2017 measurement date.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for 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 7.15% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15% 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.

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.

Note 8 - Defined Benefit Pension Plan: (Continued)

Discount Rate (Continued)

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10	Real Return Years 11 +
Global Equity	47.0%	4.9%	5.38%
Global Fixed Income	19.0	0.8	2.27
Inflation Sensitive	6.0	0.6	1.39
Private Equity	12.0	6.6	6.63
Real Estate	11.0	2.8	5.21
Infrastructure and Forestland	3.0	3.9	5.36
Liquidity	2.0	(0.4)	(0.9)
	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 Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at June 30, 2016	$ 3,356,023	$ 2,323,423	$ 1,032,600
Balance at June 20, 2017	3,687,010	2,536,852	1,150,158
Net Changes During 2016 - 2017	$ 330,987	$ 213,429	$ 117,558

The net pension liability of the plan is measured as of June 30, 2017, and the total pension liability for the plan used to calculate the net pension liabilities was determined by an actuarial valuation of June 30, 2016 rolled forward to June 30, 2017 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, 2016 and 2017 was as follows:

	Miscellaneous
Proportion - June 30, 2016	0.029725%
Proportion - June 30, 2017	0.029177%
Change - Increase (Decrease)	(0.000548)%

Note 8 - Defined Benefit Pension Plan: (Continued)

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 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Plan's Net Pension Liability	$ 1,657,293	$ 1,150,158	$ 730,137

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

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, 2017 measurement date is 3.8 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.

Note 8 - Defined Benefit Pension Plan: (Continued)

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

For the year ended June 30, 2018, the District recognized a pension expense of $253,284 for the Plan. As of June 30, 2018, 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	$ 116,884	$ -
Differences between actual contributions made and proportionate share of contributions	17,944	-
Differences between expected and actual experience	-	15,610
Changes of assumptions	138,670	-
Net difference between projected and actual earnings on pension plan investments	52,017	-
Adjustment due to difference in proportions	24,958	-
Total	$ 350,473	$ 15,610

The $116,884 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	$ 86,847
2019	84,555
2020	65,429
2021	(18,852)
Total	$ 217,979

Note 9 - 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, 2018.

Note 9 - Commitments and Contingencies: (Continued)

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.

Litigation

There are pending lawsuits in which the District is involved. The District's management and legal counsel estimate that the potential claims against the District, not covered by insurance, if unfavorable decisions are rendered in these pending legal actions, would not materially affect the operations or financial condition of the District.

Note 10 - New Governmental Accounting Standards:

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. This pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

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. This pronouncement did not have a material effect 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. This pronouncement did not have a material effect 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.

Note 10 - New Governmental Accounting Standards: (Continued)

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. This pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

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.

GASB No. 88

In April 2018, the Governmental Accounting Standards Board issued Statement No. 88 "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements". The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. 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. 89

In June 2018, the Governmental Accounting Standards Board issued Statement No. 89 "Accounting for Interest Cost Incurred before the End of a Construction Period". The requirements of this Statement are effective for reporting periods beginning after December 14, 2019. 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.

Note 10 - New Governmental Accounting Standards: (Continued)

GASB No. 90

In August 2018, the Governmental Accounting Standards Board issued Statement No. 90 "Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61". The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. 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.

DE LUZ COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

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

	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015	Measurement Date June 30, 2014
Proportion of the Collective Net Pension Liability	0.029177%	0.029725%	0.023310%	0.029383%
Proportionate Share of the Collective Net Pension Liability	$ 1,150,158	$ 1,032,600	$ 877,312	$ 726,206
Covered-Employee Payroll	$ 415,607	$ 400,074	$ 392,147	$ 398,462
Proportionate Share of the Collective Net Pension Liability as Percentage of Covered-Employee Payroll	276.74%	258.10%	223.72%	182,25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.81%	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 7.65 percent to 7.15.

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

DE LUZ COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

SCHEDULES OF PLAN CONTRIBUTIONS
LAST TEN YEARS *

	Fiscal Year 2017 - 2018	Fiscal Year 2016 - 2017	Fiscal Year 2015 - 2016	Fiscal Year 2014 - 2015
Actuarial Determined Contribution	$ 116,884	$ 143,840	$ 101,045	$ 91,576
Contributions in Relation to the Actuarially Determined Contribution	149,047	143,840	101,045	91,576
Contribution Deficiency (Excess)	$ (32,163)	$ -	$ -	$ -
Covered Payroll	$ 412,418	$ 415,607	$ 400,074	$ 392,147
Contributions as a Percentage of Covered-Employee Payroll	36.14%	34.61%	25.26%	23.35%

Notes to Schedule:

Fiscal Year End	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Valuation Date	June 30, 2016	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	Entry Age
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Asset Valuation Method	Market Value	Market Value	Market Value	Market Value
Discount Rate	7.65%	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	3.30% to 14.20% depending on Age, Service, and type of employment
Inflation	2.75%	2.75%	2.75%	2.75%
Payroll Growth	3.00%	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%	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 four years are shown.