SALTON COMMUNITY SERVICES DISTRICT

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

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

George J. Woo
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

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

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's minimum audit requirements for California Special District. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

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

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

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

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

January 13, 2015

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

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

Introduction to the Basic Financial Statements

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

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

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

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

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

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

(c) Other Assets

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

(d) Long-Term Liabilities

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

(e) Other Liabilities

Other liabilities consists of accounts payable and payroll taxes payable.

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

(a) Operating Revenues

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

(b) Operating Expenses

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

(c) Non-operating Revenues and Expenses

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

Capital Assets and Debt Administration

(a) Capital Assets

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

(b) Long-Term Debt

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

Request for Information

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

FINANCIAL STATEMENTS

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

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

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

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

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

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

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

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

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

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

Amounts reported for governmental activities in the statement of activities (page 13) are different because:	
Net change in fund balances-total governmental funds (page 15)	($ 75,718)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets should be allocated over their estimated useful lives and reported as depreciation expense. See discussion in note 3 to the financial statements. This is the amount of capital outlays in the current period.	-0-
Repayment of capital lease principal is an expenditure in the Governmental funds, but the repayment reduces long-term Liabilities in the statement of net position.	
Principal repayments	14,521
Change in net assets of governmental activities (pages 12 & 13)	($ 61,197)

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

GENERAL FUND

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

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

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

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

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

The District was established and formed to provide the following:

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

Blended Component Unit:

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

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

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

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

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

C. Basis of Accounting

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

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

D. Cash and Investments

Cash includes amounts in demand deposits.

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

E. Inventories

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

F. Interfund Activity

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Use of Estimates

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

NOTE 2 - CASH AND INVESTMENTS

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

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

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

California Local Agency Investment Fund (LAIF)

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

NOTE 2 - CASH AND INVESTMENTS (Continued)

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

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

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

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

Classification of Deposits and Investments by Credit Risk:

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

Deposits:

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

NOTE 2 - CASH AND INVESTMENTS (Continued)

Investments:

Category 1 - Investments which are insured by SIPC, or where the securities are held by the District or the District's agent in the District's name.

Category 2 - Investments which are uninsured and unregistered where the securities are held by the purchasing financial institution's trust department or agent in the District's name.

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

Investments Not Subject to Categorization:

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

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

	Category 1	Category 2	Category 3	Not Required To Be Categorized	Bank Balances	Carrying Amount
Deposits:						
Undeposited Funds	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ 252,930
Petty Cash	-0-	-0-	-0-	-0-	-0-	100
Demand Accounts	1,194,395	-0-	-0-	-0-	1,390,964	1,194,584
Local Agency Investment Fund	-0-	-0-	-0-	689,949	-0-	689,949
Total Deposits	$ 1,194,395	$ -0-	$ -0-	$ 689,949	$ 1,390,964	$ 2,137,563

TOTAL CARRYING AMOUNT (BOOK BALANCES)	$ 2,137,563
Cash and Investments	$ 1,770,974
Cash and Investments – Restricted	366,589
TOTAL CASH AND INVESTMENTS	$ 2,137,563

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

NOTE 4 - PROPERTY TAXES AND SPECIAL ASSESSMENT REVENUE

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

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

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

NOTE 5 - RETIREMENT PLAN

Plan description: PERS defined benefit

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

NOTE 5 - RETIREMENT PLAN (CONTINUED)

Funding policy:

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

NOTE 6 – LONG-TERM DEBT

Loan payable to the United States Department of Agriculture, secured by the District's levy and Collection of assessments or use charges as may be necessary to operate and maintain the plant and meet the payments, payable in annual payments from $ 25,000 to $ 43,000 including interest at adjusted rate of 4.25% per annum on the unpaid balance.	$ 369,353
Loan payable to the North American Development Bank, secured by the District's levy and collection of assessments or use charges as may be necessary to operate and maintain the plant and meet the payments, payable in annual payments from $ 15,000 to$ 35,000 including interest at adjusted rate of 3.85% per annum on the unpaid balance.	$ 295,000
Loan payable to Sun Community Federal Credit Union, payable in monthly installments of $ 1,738, including interest at 2.74% and collaterized by two vehicles. Final payment is due May 7, 2016.	$ 38,901

NOTE 6: LONG-TERM DEBT (CONTINUED)

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

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

USDA - COP

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

USDA - COP

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

NOTE 6: LONG-TERM DEBT (CONTINUED)

LOAN PAYABLE - SCFCU

Year Ending June 30	Principal	Interest	Total Debt Service
2015	$ 20,043	$ 815	$ 20,858
2016	18,858	265	19,123
	$ 38,901	$ 1,080	$ 39,981

Capital Lease – Oshkosh Capital

Year Ending June 30	Principal	Interest	Total Debt Service
2015	$ 15,141	$ 8,842	$ 23,983
2016	15,788	8,195	23,983
2017	16,462	7,521	23,983
2018	17,165	6,818	23,983
2019	17,898	6,085	23,983
2020-2024	101,625	18,292	119,917
2025	23,000	983	23,983
	$ 207,079	$ 56,736	$ 263,815

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

Combined

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

NOTE 7 – COMPENSATED ABSENCES

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

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

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

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

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

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

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

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

Funding Status and Funding Progress

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

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

Methods and Assumptions

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

The following simplifying assumptions were made:

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

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

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

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

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

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

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

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

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

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

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

Plan for Funding

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

Required Supplementary Information: Schedule of Funding Progress

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

NOTE 9 – SUBSEQUENT EVENTS

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

SUPPLEMENTARY INFORMATION

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

CHANNEL MAINTENANCE

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

SEE AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

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

SEWER CONSTRUCTION

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

SEE AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

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

SEWER MAINTENANCE

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

SEE AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

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

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

SEE AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

George J. Woo
Certified Public Accountant

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

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

I have audited the financial statements of the governmental activities, the business-type activities, as of and for the year ended June 30, 2014, which collectively comprise the Salton Community Services District basic financial statements and have issued my report thereon dated January 13, 2015. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Salton Community Services District financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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

January 13, 2015