

SELMA-KINGSBURG-FOWLER
COUNTY SANITATION DISTRICT

REPORT ON AUDITED
FINANCIAL STATEMENTS
AND
REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2017

CONTENTS

	<u>Page</u>
FINANCIAL STATEMENTS:	
Independent auditor's report	1-2
Management's discussion and analysis	3-7
Statement of net position	8
Statement of revenues, expenses, and changes in net position	9
Statement of cash flows	10-11
Notes to financial statements	12-28
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of proportionate share of the net pension liability/schedule of plan contributions	29
Schedule of change in the District's net OPEB liability and related ratios	30
Schedule of District contributions – OPEB	31
ADDITIONAL INFORMATION	
Summary No. 1 (operations and maintenance) activity summary	32
Summary No. 2 (district capital expansion) activity summary	33
Summary No. 3 (district capital refurbishment and replacement) activity summary	34
Summary No. 4 (collection system capital refurbishment and replacement - Selma) activity summary	35
Summary No. 5 (collection system capital refurbishment and replacement - Kingsburg) activity summary	36
Summary No. 6 (collection system capital refurbishment and replacement - Fowler) activity summary	37



Sampson, Sampson & Patterson, LLP
CERTIFIED PUBLIC ACCOUNTANTS

3148 Willow Avenue, Suite 102
Clovis, California 93612-4739
(559) 291-0277 • FAX (559) 291-6411

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Selma-Kingsburg-Fowler County Sanitation District
Kingsburg, California

Report on the Financial Statements

We have audited the accompanying statement of net position of Selma-Kingsburg-Fowler County Sanitation District (the District) as of June 30, 2017, and the related statement of revenues, expenses, and changes in net position and cash flows for the year then ended.

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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 of material misstatement.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Selma-Kingsburg-Fowler County Sanitation District, as of June 30, 2017, and the changes in financial position and cash flows for the year 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.

Emphasis of Matter

Management adopted the provisions of the following governmental Accounting Standards Board Statement, which is effective for fiscal years beginning after June 15, 2017; however, early application is encouraged. The application of Statement No. 75 required the restatement of net position as discussed in Note 11 to the financial statements.

- Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.

The emphasis of this matter does not constitute a modification of our opinion.

Other Matters

Required Supplementary Information

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

Additional Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The additional information section, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on this information.

Sampson, Sampson & Patterson, LLP

Clovis, California
May 4, 2018

SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2017

INTRODUCTION

This discussion and analysis of Selma-Kingsburg-Fowler County Sanitation District's (the District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2017. It should be read in conjunction with the District's financial statements, which follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June 1999; and GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Omnibus*, an amendment to GASB Statement No. 21 and No. 34, issued in June 2001.

FINANCIAL HIGHLIGHTS

- Total Net Positions were \$35,510,645, \$35,098,861 and \$34,278,306 at June 30, 2017, 2016 and 2015, respectively. The amount at June 30, 2017 included investment in capital assets, primarily property, plant and equipment, with a net book value of \$24,464,067.
- For the year ending June 30, 2017, overall revenues were \$9,631,027, which was more than overall expenditures of \$7,941,179 and resulted in an increase in net position of \$1,689,848. For the year ending June 30, 2016, overall revenues were \$8,609,830, which was more than overall expenditures of \$7,789,275 and resulted in an increase in net position of \$820,555. For the year ending June 30, 2015, overall revenues were \$8,220,169, which was more than overall expenditures of \$8,067,654 and resulted in an increase in net position of \$152,515. These were on the accrual basis and therefore included depreciation and capitalization of new assets.
- The District spent \$1,634,477 for the acquisition of capital assets during the current year.
- The District transferred \$1,349,240 and \$1,353,360 in 2017 and 2016 respectively from the Operation and Maintenance sub-fund to the District sub-fund for future refurbishment or replacement of capital facilities in the treatment plant or interceptor systems.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of four parts – Management's Discussion and Analysis (this section), the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows. The four sections together provide a comprehensive overview of the District. The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position regardless of when cash is received or paid. These two statements report the District's Net Position and how they have changed. Net Position, the difference between the assets and liabilities, is one way to measure the District's financial health or Position.

SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2017

- Over time, increases or decreases in the District's Net Position may be an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as, community growth rates and the condition of facilities.

The Statement of Cash Flows

The Statement of Cash Flows presents the changes in the District's cash and cash equivalents during the fiscal year. The statement is prepared using the direct method of cash flows. The statement details the sources and uses of the District's cash and cash equivalents into three categories: operating, capital and related financing, and investing activities.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's combined Net Position were \$35,510,645, \$35,098,861 and \$34,278,306 at June 30, 2017, 2016 and 2015, respectively.

Table 1
Net Position

	Business-Type Activities			Total
	2017	2016	2015	Percentage Change 2017-2016
Assets				
Cash – Unrestricted	\$12,820,437	\$11,753,497	\$11,571,687	9.08%
Cash – Restricted	13,718,086	4,536,342	4,160,625	202.40%
Accounts Receivable	463,037	499,285	521,414	-7.26%
Interest Receivable	195,375	54,126	53,964	260.96%
Prepaid Expenses	33,301			
Other Assets	1,767			
Capital assets	24,464,067	23,208,818	23,914,149	5.41%
Connection Fee Receivable	25,242	29,700	18,248	-15.01%
Development Costs Receivable	152,895	152,895	152,895	0.00%
TOTAL ASSETS	<u>51,874,207</u>	<u>40,234,663</u>	<u>40,392,982</u>	<u>28.93%</u>
Deferred Outflows of Resources	1,301,164	529,205	455,542	145.87%
Liabilities				
Accounts Payable	435,683	357,723	460,329	21.79%
Franchise Fees Payable	368,187	335,340	349,236	9.80%
Interest Payable	154,180	0	0	
Accrued Salary and Compensated Absences	407,047	392,966	410,012	3.58%
Net OPEB Obligation	1,326,549	194,236	278,638	582.96%
Net Pension Liability	5,060,945	4,114,694	4,023,732	23.00%
Bonds Payable	9,765,000	0	0	
TOTAL LIABILITIES	<u>17,517,591</u>	<u>5,394,959</u>	<u>5,521,947</u>	<u>224.70%</u>
Deferred Inflows of Resources	147,135	270,048	1,048,271	-45.52%
Net Position				
Invested in Capital Assets	23,366,343	23,208,818	23,914,149	0.68%
Restricted	5,178,335	4,536,342	4,160,625	14.15%
Unrestricted	6,965,967	7,353,701	6,203,532	-5.27%
TOTAL NET POSITION	<u>\$35,510,645</u>	<u>\$35,098,861</u>	<u>\$34,278,306</u>	<u>1.17%</u>

SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2017

Changes in Net Position

The District's total revenues were \$9,631,027, \$8,609,830 and \$8,220,169 for the years ended June 30, 2017, 2016 and 2015, respectively. The largest source of revenue was domestic/commercial user fees, which accounted for 54%, 61% and 60% of total revenues for the years ended June 30, 2017, 2016 and 2015, respectively.

The District's total expenses were \$7,941,179, \$7,789,275 and \$8,067,654 at June 30, 2017, 2016 and 2015, respectively. The largest area of expense was for sewage treatment, which included personnel services, electricity and plant capital improvements, at \$4,911,279, \$3,464,577 and \$3,838,685 which was 62%, 56% and 59% of total expenses for the years ended June 30, 2017, 2016 and 2015, respectively.

The District's total Net Position increased \$1,689,848, \$820,555 and \$152,515 during the fiscal years ending June 30, 2017, 2016 and 2015, respectively, as shown in Table 2.

Table 2
Changes in Net Position

	<u>Governmental Activities</u>			<u>Total</u>
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>Percentage</u> <u>Change</u> <u>2017-2016</u>
Revenues				
Operating Revenues:				
Industrial	\$3,077,360	\$ 2,367,042	\$2,516,145	30.01%
Domestic/Commercial	5,170,594	5,214,953	4,897,198	-0.85%
Miscellaneous	<u>170,062</u>	<u>185,337</u>	<u>154,259</u>	<u>-8.24%</u>
TOTAL REVENUES	<u>8,418,016</u>	<u>7,767,332</u>	<u>7,567,602</u>	<u>8.38%</u>
Operating Expenses				
Administration & General	1,714,999	1,584,311	1,754,739	8.25%
Sewage Collection	1,314,901	2,740,387	2,474,230	-52.02%
Sewage Treatment	<u>4,911,279</u>	<u>3,464,577</u>	<u>3,838,685</u>	<u>41.76%</u>
TOTAL EXPENSES	<u>7,941,179</u>	<u>7,789,275</u>	<u>8,067,654</u>	<u>1.95%</u>
TOTAL NON-OPERATING REVENUE	<u>1,213,011</u>	<u>842,498</u>	<u>652,567</u>	<u>43.98%</u>
CHANGE IN NET POSITION	<u>1,689,848</u>	<u>\$ 820,555</u>	<u>\$ 152,515</u>	<u>105.94%</u>

The District reclassified depreciation expense between Sewage Collection and Sewage Treatment Operating Expenses in the current year. Reclassified depreciation in prior years would have resulted in Sewage Collection Operating Expense to be \$1,805,049 and \$1,515,178 for 2016 and 2015, respectively. Reclassified depreciation in prior years would have resulted in Sewage Treatment Operating Expense to be \$4,399,915 and \$4,797,737 for 2016 and 2015, respectively.

ANALYSIS OF THE DISTRICT'S FUNCTIONS

The District reports as a single proprietary fund. The District provides separate activity summaries for each of its six functions, although they are not each funds in a fund-accounting sense. The summaries are presented as supplementary information herein.

SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, 2016 and 2015, the District invested (Net Book Value) \$24,464,067, \$23,208,818 and \$23,914,149 respectively, in a broad range of capital assets, including land, buildings, sewage collection, sewage treatment, sewage disposal facilities, equipment and vehicles. More detailed information about the District's capital assets is presented in the notes to the financial statements.

Long-Term Liabilities

At year-end, the District had long-term liabilities totaling \$16,339,982. At June 30, 2016, the District's long-term liabilities were \$4,494,919. At June 30, 2015, the District's long-term liabilities were \$4,502,020.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

At the time these financial statements were prepared and audited the District was aware of several circumstances that could affect its future financial health.

- Electricity is a major component of District operating expenses. Energy costs and fuel costs remain unpredictable and unstable. The District entered into a Solar Project contract with OpTerra Energy Services for \$9,829,321. Energy costs should see a decrease after completion of the Solar Project.
- The District approved Sewer Service Charge rate increases effective September 1, 2017 and July 1, 2018.
- CalPERS lowered the discount rate which will lead to a higher pension liability.
- The District is in the process of applying for State Revolving Fund (SRF) financing for the McCall Avenue R&R Project, expected to cost approximately \$6.6 Million, which may cause rates to increase for Selma.
- Environmental regulations necessary to protect the ground water in California's central valley are becoming more stringent, with consequent increases in costs to rate-payers.
- The District has come under additional regulation for the sewer collection systems it operates in its member Cities. The State Water Board has mandated a comprehensive program of evaluation, maintenance, reporting, refurbishment and funding. The District already fulfills many of the items required in the program and the costs already are a part of its fees and charges. However, additional costs will be incurred by the District in complying with this new mandate which may cause fees and charges to increase.

SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2017

- The District completed its Collection System Master Plan Update. Refurbishment and replacement of aging District facilities and equipment as well as the city owned sewer lines is of paramount importance. In order to minimize future borrowing appropriate funding needs to be included in rate-setting decisions.
- Depending on the growth rates of the member Cities, the District must be prepared to plan for a treatment plant expansion to accommodate those growth rates.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's residents, rate-payers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report, or need additional financial information, contact General Manager Ben Muñoz, Jr., at 559-897-6500. The District's website address is www.skfcsd.org.

SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS:

Current assets:

Cash	
Unrestricted	\$12,820,437
Restricted	13,718,086
Accounts receivable, net of allowance for doubtful accounts of \$12,855	463,037
Interest receivable	195,375
Prepaid expenses	33,301
Other assets	<u>1,767</u>
Total Current Assets	<u>27,232,003</u>

Non-current assets:

Capital assets, net of accumulated depreciation	24,464,067
Connection fee receivable	25,242
Reimbursement agreements	<u>152,895</u>
Total Non-Current Assets	<u>24,642,204</u>

Total Assets 51,874,207

DEFERRED OUTFLOWS OF RESOURCES

Related to pensions	<u>1,301,164</u>
	<u>1,301,164</u>

Total Assets and Deferred Outflows of Resources \$53,175,371

LIABILITIES:

Current liabilities:

Accounts payable	\$ 435,683
Franchise fees payable	368,187
Interest payable	154,180
Accrued salaries and compensated absences	<u>219,559</u>
Total Current Liabilities	<u>1,177,609</u>

Non-current liabilities:

Accrued salaries and compensated absences	187,488
Net other postemployment benefits liability	1,326,549
Net pension liability	5,060,945
Bonds payable	<u>9,765,000</u>
Total Non-Current Liabilities	<u>16,339,982</u>

Total Liabilities 17,517,591

DEFERRED INFLOWS OF RESOURCES

Related to pensions	<u>147,135</u>
---------------------	----------------

NET POSITION

Net investment in capital assets	23,366,343
Restricted	5,178,335
Unrestricted	<u>6,965,967</u>

Total Net Position 35,510,645

Total Liabilities, Deferred Inflows of Resources, and Net position \$53,175,371

See independent auditor's report and notes to financial statements.

SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2017

OPERATING REVENUES:	
Industrial	\$ 3,077,360
Domestic/commercial	5,170,594
Miscellaneous	<u>170,062</u>
Total Operating Revenues	<u>8,418,016</u>
OPERATING EXPENSES:	
Administration and general	1,714,999
Sewage Collection	1,314,901
Sewage treatment	<u>4,911,279</u>
Total Operating Expenses	<u>7,941,179</u>
Operating Income (Loss)	476,837
NON-OPERATING REVENUES (EXPENSES):	
Interest income	303,279
Connection/annexation fees	1,037,476
Bond issuance costs	<u>(127,744)</u>
Total Non-Operating Revenues	<u>1,213,011</u>
Change in Net Position	<u>1,689,848</u>
Net Position, Beginning of Year, as previously reported	35,098,861
Restatement for Accounting Change	<u>(1,278,064)</u>
Net Position, Beginning of Year, Restated	<u>33,820,797</u>
Net Position, End of Year	<u>\$35,510,645</u>

See independent auditor's report and notes to financial statements.

SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash receipts from customers for wastewater sales and service	\$ 8,458,722
Cash paid to vendors and suppliers for materials and services	(3,012,759)
Cash paid to employees for salaries and benefits	<u>(3,215,717)</u>
Net Cash Provided by Operating Activities	<u>2,230,246</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets	(2,818,324)
Proceeds from debt issuance	9,765,000
Bond issuance costs	(127,744)
Proceeds from connection/annexation fees	<u>1,037,476</u>
Net Cash Provided (used) by Capital and Related Financing Activities	<u>7,856,408</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest and investment earnings	<u>162,030</u>
Net Cash Provided by Investing Activities	<u>162,030</u>
Net Increase in Cash and Cash Equivalents	10,248,684
Cash and Cash Equivalents (Unrestricted and Restricted), Beginning of Year	<u>16,289,839</u>
Cash and Cash Equivalents (Unrestricted and Restricted), End of Year	<u>\$26,538,523</u>
Reconciliation of cash and cash equivalents to statement of net position:	
Unrestricted assets – cash and cash equivalents	12,820,437
Restricted assets – cash and cash equivalents	<u>13,718,086</u>
Total Cash and Cash Equivalents	<u>\$26,538,523</u>

See independent auditor's report and notes to financial statements.

SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017
(Continued)

RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating Income	<u>\$ 476,837</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	1,717,255
Changes in assets and liabilities:	
Decrease (increase) in assets:	
Accounts receivable	36,248
Prepaid expenses	(33,301)
Other assets	(1,767)
Deferred connection fees	4,458
Deferred outflows – pension	(771,959)
Increase (decrease) in liabilities:	
Accounts payable	77,960
Franchise fees	32,847
Accrued expenses	14,081
Other postemployment benefits liability	(145,751)
Net pension liabilities	946,251
Deferred inflows - pension	<u>(122,913)</u>
Total Adjustments	<u>1,753,409</u>
Net Cash Provided by Operating Activities	<u>\$2,230,246</u>

See independent auditor’s report and notes to financial statements.

SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Reporting Entity

Selma-Kingsburg-Fowler County Sanitation District (the District) was formed on February 16, 1971, by action of the Fresno County Board of Supervisors through authority of the provisions of the California Health and Safety Code County Sanitation Districts Act. The governing Board of Directors was established by statute and by the Board of Supervisors to be comprised of the Chairman of the Board of Supervisors, the District 4 Supervisor and the mayors of the three Cities of Selma, Kingsburg, and Fowler. The District was established to serve as a regional sewer treatment authority for the three cities and the Golden State Boulevard Industrial Corridor. The District is entirely located within the County of Fresno.

Basis of Accounting

The District reports using a proprietary fund which accounts for its activities using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Budget

Annual budgets are drafted, reviewed through the public hearing process, and adopted by resolution of the District's Board of Directors. The annual budget is the District's fiscal plan for operation and maintenance of the District, capital expenses for equipment and facilities, and the revenues in support of the plan. Amendments to the adopted budget require Board action and budgeting control is maintained at department levels.

Cash Flows

For purposes of the statement of cash flows, the District considers all highly liquid investments (including cash held by the County Treasury) with an original maturity of three months or less to be cash equivalents.

Capital Assets

Capital assets are recorded on the basis of cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 15 to 50 years for sewage collection, treatment, disposal facilities and buildings. The useful lives for equipment range from 3 to 25 years. Expenses for maintenance, repairs, renewals, and those related to the three cities' collection systems are expensed as incurred. Expenses for improvements over \$8,000 are capitalized.

The District records and capitalizes the construction costs for sewage collection, treatment, and disposal facilities, which are constructed by the District and to which title is retained by the District.

SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

(Continued)

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District.

One hundred percent of accumulated sick leave benefits are recognized as liabilities of the District. This portion is vested for all full-time employees who have been with the District for more than three months. Payment will be made in accordance with Employee Handbook Section D-4a.2, whether at 0%, 50% or 70%.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow resources (expense/expenditure) until then. The District has only one item that qualifies for reporting in this category, deferred outflows related to pensions.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. The separate financial element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District has one type of deferred inflow which qualifies for reporting in this category, deferred inflows related to pensions.

Pension Plan

The District recognizes a net pension liability, which represents its proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial report provided by the CalPERS Actuarial Office. The net pension liability is measured as of the District's prior fiscal year-end. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred. The average remaining service lifetime for the June 30, 2015 measurement period is 3.8 years.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently 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 CalPERS' website under Forms and Publications.

SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
 (Continued)

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.

	2017	2016
Valuation Date	June 30, 2015	June 30, 2014
Measurement Date	June 30, 2016	June 30, 2015
Measurement Period	July 1, 2015 to June 30, 2016	July 1, 2014 to June 30, 2015

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period of recognition.

Income Taxes

As a governmental agency, the District is exempt from both federal income taxes and California state franchise taxes.

Net Position

Net Position is the excess of all the District's assets and deferred outflows over all its liabilities, and deferred inflows. Net Position is divided into three categories as follows:

Investment in Capital Assets describes the portion of net position which is represented by the current net book value of the District's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the District cannot unilaterally alter. These principally include facility capacity fees received for use on capital projects, fees charged for the provision of future water resources and debt service reserve funds.

Unrestricted describes the portion of net position which is not restricted as to use.

SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

Classification of Revenues

The District's funds distinguish revenues and expenses and non-operating items. Operating revenues and expenses generally result from providing services in connection with the District's ongoing operations. The principal operating revenues of the District are from Industrial and Domestic/Commercial fees. Operating expenses include sewage collection and treatment costs, administrative expenses and depreciation and amortization on plan, property and equipment. All other revenues and expenses not meeting this definition are reported as non-operating revenue and expenses.

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

Use of Estimates

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

NOTE 2 – CASH AND INVESTMENTS:

Cash and investments as of June 30, 2017 consists of the following:

Cash on Hand	\$ 700
Deposits with Financial Institutions	45,039
Deposits with County Treasury	<u>26,492,784</u>
Total Cash and Investments	<u>\$26,538,523</u>

Bank deposit accounts are insured up to \$250,000 per institution by the Federal Depository Insurance Corporation (FDIC). All of the District's cash balances held by financial institutions are fully insured or collateralized.

Cash in County Treasury

Within the guidelines of Government Code Section 53601, the District maintains substantially all of its cash in the Fresno County Treasury as part of the common investment pool. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer. The County is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable and non-negotiable certificates of deposit, repurchase agreements, and mortgage-backed pass through securities.

SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

Investments Authorized by the California Government Code

The District does not have an investment policy independent of what is allowed under the California Government Code. The table also identifies certain provisions of the Code that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 years	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	None
Mortgage Pass-through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
JPA Pools (other investment pools)	N/A	None	None

The Fresno County Treasury Investment Pool Statement of Investment Policy is more stringent than the California Government Code. As of June 30, 2017, the Investment Pool portfolio complied with its Statement of Investment Policy.

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. As of year end, the weighted average maturity of the investments contained in the Fresno County Treasury Investment Pool is 2.2 years. 33.4% matures within 12 months, 33.7% between 1 and 3 years, and 32.9% matures between 3 and 5 years.

SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

(Continued)

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. The Fresno County Treasury Investment Pool does not have a rating provided by a nationally recognized statistical rating organization. However, the assets of the portfolio held by the pool as of June 30, 2017 had an average dollar weighted quality rating of “AA+.”

Concentration of Credit Risk

There are no investments in any one issuer that represent 5% or more of total District investments.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government 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 California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by the state or local government 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.

Custodial credit risk does not apply to a local government’s indirect investment in securities through the use of mutual funds or government investment pools (such as the Fresno County Treasury Investment Pool).

Investment in Fresno County Treasury Investment Pool

The District is a voluntary participant in the Fresno County Treasury Investment Pool that is regulated by the California Government Code under the oversight of the Auditor-Controller/Treasurer-Tax Collector of Fresno County. 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 the Treasury Investment Pool for the entire Treasury Investment Pool portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the Treasury Investment Pool, which are recorded on an amortized cost basis.

SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 3 – CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Balance</u> <u>2016</u>	<u>Additions/</u> <u>Transfers</u>	<u>Deletions/</u> <u>Transfers</u>	<u>Balance</u> <u>2017</u>
Capital Assets				
Capital assets, not being depreciated:				
Land	\$ 3,569,165	\$	\$	\$ 3,569,165
Construction in progress	1,231,022	2,958,001	(1,619,974)	2,569,049
Property rights	11,475			11,475
Other properties	<u>154,307</u>			<u>154,307</u>
Total capital assets, not being depreciated	<u>4,965,969</u>	<u>2,958,001</u>	<u>(1,619,974)</u>	<u>6,303,996</u>
Capital assets, being depreciated:				
Sewage collection facilities	9,169,578	299,308	(91,370)	9,377,516
Sewage treatment facilities	28,760,113	1,149,310	(19,309)	29,890,114
Sewage disposal facilities	3,541,538	153,467	(58,672)	3,636,333
General administrative	<u>5,667,317</u>	<u>32,392</u>	<u>(21,000)</u>	<u>5,678,709</u>
Total capital assets, being depreciated	<u>47,138,546</u>	<u>1,634,477</u>	<u>(190,351)</u>	<u>48,582,672</u>
Accumulated depreciation and amortization:				
Sewage collection facilities	(6,872,946)	(271,008)	91,370	(7,052,584)
Sewage treatment facilities	(16,978,143)	(1,205,641)	19,309	(18,164,475)
Sewage disposal facilities	(2,365,510)	(108,074)	58,672	(2,414,912)
General administrative	<u>(2,679,098)</u>	<u>(132,532)</u>	<u>21,000</u>	<u>(2,790,630)</u>
Total accumulated depreciation and amortization	<u>(28,895,697)</u>	<u>(1,717,255)</u>	<u>190,351</u>	<u>(30,422,601)</u>
Total capital assets, being depreciated, net	<u>18,242,849</u>	<u>(82,778)</u>		<u>18,160,071</u>
Total capital assets, net	<u>\$ 23,208,818</u>	<u>\$ 2,875,223</u>	<u>\$(1,619,974)</u>	<u>\$ 24,464,067</u>

In 2016-17, major capital asset additions during the year included the purchases of heavy equipment, construction in progress for the solar project, and improvements for the dissolved air flotation thickeners project and the aerobic digester refurbishment project. Depreciation charged to income was \$1,717,255 for the year ended June 30, 2017.

NOTE 4 – LONG-TERM DEBT:

Changes in long-term debt activity for the year ended June 30, 2017 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u> <u>Balance</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
2017 Installment Sales Agreement (Taxable NCREB Direct Subsidy)	<u>\$</u>	<u>\$9,765,000</u>	<u>\$</u>	<u>\$9,765,000</u>	<u>\$</u>

SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

2017 Installment Sale Agreement

In March, 2017, the District entered into an installment sale agreement with Municipal Finance Corporation to provide funding in the amount of \$9,765,000 for the purchase and installation of a solar photovoltaic system. Under the terms of the agreement, Municipal Finance Corporation will sell the completed project to the District in consideration for the payment by the District of installment payments as the purchase price of the project. The installment sale debt qualifies as new clean renewable energy bonds (NCREB) under Section 54C of the Internal Revenue Code. The debt payments are secured by a pledge of and lien on the net revenues derived from operations of the District. The installment payments bear interest at 5.10% and are payable semi-annually in March and September, beginning March, 2018. Because of the installment agreement constitutes NCREB debt, the District is eligible for federal subsidy credits equal to 70% of the applicable credit rate of 4.4%, reduced by a sequestration rate which is revised annually by the federal government. The principal payments on the debt mature annually at various amounts through March, 2037. The debt service requirements to maturity are as follows:

Year Ending June 30,	2017 Installment Sale Agreement				Total Debt Service
	Principal	Gross Interest	Estimated NCREB Subsidy	Net Interest	
2018	\$	\$ 498,015	\$ 280,912	\$ 217,103	\$ 217,103
2019	420,000	498,015	280,912	217,103	637,103
2020	430,000	476,595	268,829	207,766	637,766
2021	435,000	454,665	256,460	198,205	633,205
2022	445,000	432,480	243,946	188,534	633,534
2023-2027	2,390,000	1,811,010	1,021,523	789,487	3,179,487
2028-2032	2,665,000	1,173,510	661,933	511,577	3,176,577
2033-2037	<u>2,980,000</u>	<u>462,315</u>	<u>260,775</u>	<u>201,540</u>	<u>3,181,540</u>
	<u>\$9,765,000</u>	<u>\$5,806,605</u>	<u>\$3,275,290</u>	<u>\$2,531,315</u>	<u>\$12,296,315</u>

NOTE 5 – PENSION PLAN:

General Information

Plan Description

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

SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years total service are eligible to retire at age 50 to 52 years with statutory reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustment for each plan are applied as specified by the Public Employees' Retirement Law.

Effective January 1, 2013, CalPERS instituted a new pension plan as a result of the Public Employee Pension Reform Act (PEPRA). Employees hired from that date on are subject to the new 2% at 62 benefit formula.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of the employees.

For the year ended June 30, 2017, the contributions for the measurement period were as follows:

	<u>Miscellaneous</u>
Contributions – employer	\$476,526

At June 30, 2017 the District reported a net pension liability of \$5,060,945 for its' proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability as of the June 30, 2015 and 2016 measurement dates was as follows:

	<u>Measurement Date</u>	
	<u>June 30,</u>	
	<u>2015</u>	<u>2016</u>
Net Pension Liability - District	\$ 4,114,694	\$ 5,060,945
Total Miscellaneous Risk Pool Pension Liability	\$2,743,467,019	\$3,473,877,243
District's Portion of the Total Liability	.15%	.15%

SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

For the year ended June 30, 2017, the District recognized pension expense of \$(574,765). Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. At June 30, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 523,385	\$
Difference between expected and actual expenses	11,989	
Net difference between projected and actual earnings on pension plan investments	765,790	
Change of assumptions		<u>147,135</u>
Total	<u>\$1,301,164</u>	<u>\$147,135</u>

\$523,385 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 of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30	Deferred Outflows (Inflows) of Resources
2017	\$ 36,793
2018	51,413
2019	344,089
2020	<u>198,349</u>
	<u>\$630,644</u>

Actuarial Assumptions

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

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power Applies, 2.75% thereafter

SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates.

Changes of Assumptions

There were no changes of assumptions during the measurement period ended June 30, 2016. Deferred inflows of resources for changes of assumptions presented in the Schedule of Collective Pension Amounts represents the unamortized portion of the changes of assumptions related to prior measurement periods.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rates 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 tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.65 percent 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 at CalPERS website under the GASB 68 section.

At the December 21, 2016, meeting, the CalPERS Board of Administration approved lowering the CalPERS discount rate assumption, the long-term rate of return, from 7.50 percent to 7.00 percent over the next three years. This will increase public agency employer contribution costs beginning in Fiscal Year 2018-19.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and 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. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The long-term expected real rates of return by asset class can be found in CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016.

SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

The Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments is amortized over a five-year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period, and the remaining Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments is amortized over the remaining amortization periods. The Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments in the Schedule of Collective Pension Amounts represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis. Deferred outflows of resources and deferred inflows of resources relating to Differences between Expected and Actual Experience and Changes of Assumptions should be amortized over the Expected Average Remaining Service Lifetime (EARSL) of members provided with pensions through the Plan. The EARSL for the June 30, 2016 measurement date is 3.7 years.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District’s proportionate share of the net pension liability as of the measurement date calculated using the discount rate of 7.65 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.65 percent) or 1-percentage point higher (8.65 percent) than the current rate:

	1% Decrease 6.65%	Discount Rate 7.65%	1% Increase 8.65%
District’s proportionate share of the net pension plan liability	\$7,884,819	\$5,060,945	\$2,727,153

Pension Fund Fiduciary Net Position

Detailed information about each pension fund’s fiduciary net position is available in the separately issued CALPERS CAFR.

Payable to Pension Plan

At June 30, 2017, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

NOTE 6 – OTHER POST-EMPLOYMENT BENEFITS:

Plan Description

Following is a description of the current retiree benefit plan. These benefits apply only to those employees hired before July, 2012. Employees hired after are eligible only for statutory minimum employer contributions in accordance with Section 22892 of the California Government Code.

SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

	General Employees	Unrepresented Employees
Benefit types provided	Medical only	Medical only
Duration of Benefits	Lifetime	Lifetime
Required Service	5 years	5 years
Minimum Age	50	50
Dependent Coverage	No	No
District Contribution %	100%	100%
District Cap	Single Basic Other Southern California Blue Shield rate	Single Basic Other Southern California Blue Shield rate

Employees covered by benefit terms. At June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	20
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	<u>31</u>
	<u>51</u>

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods including the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent per year
Investment rate of return	6.5 percent, net of OPEB plan investment expense
Healthcare cost trend rates	4 percent per year

Mortality rates were based on the 2014 CalPERS Retiree Mortality Tables for Miscellaneous Employees.

The actuarial assumptions used in the June 30, 2017 valuation were based on studies using the 2009 CalPERS 2.0% @ 55 and 2.0% @ 60 retirement table rates for miscellaneous employees and the 2009 CalPERS Turnover Table for Miscellaneous Employees.

The long-term expected rate of return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

Asset Class	Target Allocation	Assumed Gross Return
US Large Cap	40%	7.8%
US Small Cap	10%	7.8%
Long-term Corporate Bonds	18%	5.3%
Long-Term Government Bonds	6%	4.5%
Treasury Inflation Protected Securities (TIPS)	15%	7.8%
US Real Estate	8%	7.8%
All Commodities	3%	7.8%
Total	<u>100%</u>	

Discount rate. The discount rate used to measure the total OPEB liability was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that District contributions would be sufficient to fully fund the obligation over a period not to exceed 30 years was determined using historic 30 year real rates of return for each asset class along with an assumed long-term inflation assumption of 2.75%. The expected investment returns were reduced by expected investment expenses of .25%.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balances at June 30, 2016	<u>\$1,968,361</u>	<u>\$496,061</u>	<u>\$1,472,300</u>
Service Cost	15,492	0	15,492
Interest on TOL	125,078	0	125,078
Employer Contributions	0	248,568	(248,568)
Employee Contributions	0	0	0
Actual Investment Income	0	38,026	(38,026)
Administrative Expense	0	(273)	273
Benefit Payments	(103,233)	(103,233)	0
Other	<u>0</u>	<u>0</u>	<u>0</u>
Net Change during 2016-17	<u>37,337</u>	<u>183,088</u>	<u>(145,751)</u>
Balance at June 30, 2017	<u>\$2,005,698</u>	<u>\$679,149</u>	<u>\$1,326,549</u>

Sensitivity of the net OPEB liability to changes in the discount rate and health-care cost trend rates. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (5.5%)	Discount Rate (6.5%)	1% Increase (7.5%)
Net OPEB liability	\$1,605,713	\$1,326,549	\$1,098,522

SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (3.0%)	Healthcare Cost Trend Rates (4.0%)	1% Increase (5.0%)
Net OPEB liability	\$1,092,715	\$1,326,549	\$1,607,711

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CalPERS financial report.

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

For the year ended June 30, 2017, the District recognized OPEB expense of \$79,566. At June 30, 2017, there were no reported deferred outflows of resources and deferred inflows of resources related to OPEB.

Payable to the OPEB Plan

At June 30, 2017, the District reported a payable of \$0 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2017.

NOTE 7 – RESTRICTED AND DESIGNATED ASSETS:

Restricted and designated assets are comprised of Cash in County Treasury at June 30, 2017:

	2017
Designated for refurbishment or replacement of member city-owned collection and pumping facilities:	
Selma	\$ 1,440,119
Kingsburg	2,764,618
Fowler	1,182,137
Designated for refurbishment or replacement of District treatment plant or interceptor facilities	4,278,141
Restricted for expansion or capacity increase of District treatment plant or interceptor facilities	5,178,335
	\$14,843,350

SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

Designated assets are unrestricted. The Board of Directors has specified certain intended sources and uses for the designated assets, which are at the discretion of the Board.

NOTE 8 – JOINT VENTURES:

The District participates in joint ventures for workers' compensation, liability, and property insurance under a joint powers agreement (JPA) with the California Sanitation Risk Management Authority (CSRMA). The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

CSRMA arranges for, and provides insurance for the members who participate in four different insurance pools. CSRMA is governed by a board consisting of a representative from each member district. The Board controls the operations of the CSRMA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the CSRMA. Any surpluses or deficits are charged to income or expense in the period they are made.

CSRMA prepares separate annual financial statements which may be obtained from Alliant Insurance Services, 100 Pine Street, 11th Floor, San Francisco, CA 94111.

NOTE 9 – CONSTRUCTION COMMITMENTS:

The District has entered into contractual agreements related to the design and construction of various projects. Outstanding commitments on the McCall Avenue project, Opterra Energy Services Contract, and the DAFT project were \$173,581, \$8,311,654, and \$3,410,959, respectively, at June 30, 2017.

NOTE 10 – DESIGNATED CAPITAL CONTRUCTION EXPENSES FOR
SELMA-KINGSBURG-FOWLER:

Designated expenses charged to the Operating Expenses for Sewage Collection for member city owned collection and pumping facilities were as follows at June 30, 2017:

Selma	\$159,677
Kingsburg	
Fowler	_____
	<u>\$159,677</u>

SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 11 – CONTINGENT LIABILITIES:

During the fiscal year ended June 30, 2013, the District discovered several issues with proper reporting and employee and retiree benefits under the CalPERS system that were still unresolved at year-end. Some of these matters are under administrative review with the CalPERS system and are subject to various appeal processes. The District and its legal counsel are currently evaluating these matters, but have not yet determined the potential liability of the District, or if any liability exists. Accordingly, the District has not accrued any liability in its financial statements with respect to these matters.

NOTE 12 – RESTATEMENT FOR ACCOUNTING CHANGE:

The District adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statements, which is effective for the fiscal years beginning after June 15, 2017. GASB has encouraged early implementation of the Standard.

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions. The intension of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions.

The implementation of the above Statement resulted in a reduction of the beginning net position by \$1,278,064.

REQUIRED SUPPLEMENTARY INFORMATION

SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
FOR THE YEAR ENDED JUNE 30, 2017

California Public Employees Retirement System (CalPERS) – Schedule of the District’s Proportionate Share of the Net Pension Liability

Measurement Period	June 30, 2016	June 30, 2015	June 30, 2014
District’s proportion of the net pension liability (asset)	.14569%	.14998%	.16281%
District’s proportionate share of the net pension liability (asset)	\$5,060,945	\$4,114,694	\$4,023,732
District’s covered-employee payroll	\$1,990,107	\$1,957,978	\$1,802,205
District’s proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	254.31%	210.15%	223.27%
District’s fiduciary net position as a percentage of the total pension liability	72.71%	78.30%	78.96%

California Public Employees Retirement System (CalPERS) – Schedule of the District’s Contributions

	June 30, 2017	June 30, 2016	June 30, 2015
Actuarially determined contribution	\$ 476,526	\$ 436,294	\$ 326,907
Contributions in relation to the actuarially determined contribution	<u>(476,526)</u>	<u>(436,294)</u>	<u>(326,907)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District’s covered-employee payroll	\$1,990,107	\$1,957,978	\$1,802,205
Contributions as a percentage of covered-employee payroll	23.95%	22.283%	18.139%

Notes to Schedule

The actuarial methods and assumptions used to determine contribution rates for fiscal year ended June 30, 2017 was from the June 30, 2014 valuation date.

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies ⁽¹⁾
Investment Rate of Return	7.5% ⁽²⁾
Mortality ⁽³⁾	CalPERS’ Membership Data
Post Retirement Benefit Increases	Up to 2.75% ⁽⁴⁾

(1) 3.30% to 14.20% depending on age, service and type of employment

(2) Net of pension plan investment and administrative expenses, including inflation

(3) The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

(4) Contract COLA up to 2.75% until Purchasing Power Protective Allowance Floor on Purchasing Power applies.

SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2017

	2017
Total OPEB liability	
Service cost	\$ 15,492
Interest	125,078
Benefit payments	<u>(103,233)</u>
Net change in total OPEB liability	37,337
Total OPEB liability – beginning	<u>1,968,361</u>
Total OPEB liability – ending (a)	<u>\$2,005,698</u>
Plan fiduciary net position	
Contributions - employer	\$ 248,568
Net investment income	38,026
Benefit payments	(103,233)
Administrative expense	(273)
Net change in plan fiduciary net position	183,088
Plan fiduciary net position – beginning	<u>496,061</u>
Plan fiduciary net position – ending (b)	<u>\$ 679,149</u>
City's net OPEB liability – ending (a) – (b)	<u>\$1,326,549</u>
Plan fiduciary net position as a percentage of the total OPEB liability	33.86%
Covered-employee payroll	<u>\$1,990,107</u>
City's net OPEB liability as a percentage of covered-employee payroll	66.66%

Notes to Schedule:

Benefit changes in 2017, benefit terms were modified to increase copayments for prescription drugs. In 2017, benefit terms were modified to add vision benefits.

Changes of assumptions. In 2017, expected retirement ages of general employees were adjusted to more closely reflect actual experience. In 2017, assumed life expectancies were adjusted as a result of adopting the RP-2000 Healthy Annuitant Mortality Table. In prior years, those assumptions were based on the 1994 Group Annuity Mortality Table.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

SELMA-KINGSBURG-FOWLER COUNTY SANITATION DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS – OPEB
FOR THE YEAR ENDED JUNE 30, 2017

	2017
Actuarially determined contribution	\$ 145,335
Contributions in relation to the actuarially determined contribution	<u>145,335</u>
Contribution deficiency (excess)	<u>\$</u>
Covered-employee payroll	\$1,990,107
Contributions as a percentage of covered-employee payroll	7.31%

Notes to Schedule

Valuation date: July 1, 2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Amortization period	24 years
Asset valuation method	5 years smoothed market
Inflation	2.75 percent
Healthcare cost trend rates	4.00 percent
Salary increases	2.75 percent
Investment rate of return	6.50 percent, net of OPEB plan investment expense, including inflation
Retirement age	Expected retirement ages based on the 2009 CalPERS 2.0% at 55 and 2.0% at 60 retirement table rates for miscellaneous employees.
Mortality	Mortality rates were based on the 2014 CalPERS retiree mortality tables for miscellaneous employees.

ADDITIONAL INFORMATION

Summary No. 1 - O&M
Selma-Kingsburg-Fowler County Sanitation District
Function #1 (Operation and Maintenance) - Activity Summary
For the Year Ended June 30, 2017

	<u>Original Approved Budget</u>	<u>Final Approved Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Percent of Final Approved Budget</u>
<u>Revenue</u>					
Residential, Commercial and Institutional Service Charges	4,693,391	4,693,391	4,653,662	(39,729)	99.15%
Industrial Service Charges	2,482,398	2,482,398	2,964,153	481,755	119.41%
Interest Earnings	45,000	45,000	54,870	9,870	121.93%
Miscellaneous	0	0	2,343	2,343	0.00%
Septic Hauler Fees	95,000	95,000	135,782	40,782	142.93%
Rental of Property	60,000	60,000	31,937	(28,063)	53.23%
Plan Check and Inspection Fees	15,500	15,500	44,967	29,467	290.11%
Total Revenue	<u>7,391,289</u>	<u>7,391,289</u>	<u>7,887,714</u>	<u>496,425</u>	<u>106.72%</u>
<u>Expenditures</u>					
Salaries and Employee Benefits	3,147,721	3,147,721	3,134,075	13,646	99.57%
Services and Supplies	2,626,000	2,626,000	2,690,728	(64,728)	102.46%
Cities' Franchise Fees	350,000	350,000	368,188	(18,188)	105.20%
Subtotal Expenditures	<u>6,123,721</u>	<u>6,123,721</u>	<u>6,192,991</u>	<u>(69,270)</u>	<u>101.13%</u>
Depreciation	0	0	1,717,255	(1,717,255)	N/A
Total Expenditures	<u>6,123,721</u>	<u>6,123,721</u>	<u>7,910,246</u>	<u>(1,786,525)</u>	<u>129.17%</u>
Transfer to Function #2 Refurbishment & Replacement	<u>(1,349,240)</u>	<u>(1,349,240)</u>	<u>(1,349,240)</u>	<u>0</u>	<u>100.00%</u>
<u>Change in Net Position</u>			<u>(1,371,772)</u>		

Note: The expenses in this activity summary reflect expenses in the budget year and are prior to any capitalization.

Summary No. 2 - District Expansion
Selma-Kingsburg-Fowler County Sanitation District
Function #2 (District Capital Expansion) - Activity Summary
For the Year Ended June 30, 2017

	<u>Original Approved Budget</u>	<u>Final Approved Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Percent of Final Approved Budget</u>
<u>Revenue</u>					
Capacity Fees	1,041,069	1,041,069	981,687	(59,382)	94.30%
Annexation Fees	20,300	20,300	10,823	(9,477)	53.31%
Interest Earnings	92,676	92,676	75,699	(16,977)	81.68%
Total Revenue	<u>1,154,045</u>	<u>1,154,045</u>	<u>1,068,209</u>	<u>(85,836)</u>	<u>92.56%</u>
<u>Expenditures</u>					
* Replace Daft	1,392,908	1,392,908	419,397	973,511	30.11%
Load Shedding Software (Powerit Solutions)	154,500	154,500	0	154,500	0.00%
* Sewer System Master Plan Update	0	0	17,420	(17,420)	0.00%
MLSS Line Refurb & RAS Line Replacement	604,730	604,730	0	604,730	0.00%
District Lift Station Refurb-D4 (18th Street)	185,500	185,500	0	185,500	0.00%
Equalization Pond 2 Asphalt (Bio Processing)	155,000	155,000	157,500	(2,500)	101.61%
* Sewer Rate Study	0	0	71,558	(71,558)	0.00%
Total Expenditures	<u>2,492,638</u>	<u>2,492,638</u>	<u>665,875</u>	<u>1,826,763</u>	<u>26.71%</u>
Change in Net Position (Budget Basis)			<u>402,334</u>		
Capitalization of Expenditure Adjustment			<u>665,875</u>		
Change in Net Position (GAAP Basis)			<u><u>1,068,209</u></u>		

Note: 1) The expenses in this activity summary reflect expenses in the budget year and are prior to any capitalization.
2) * Asterisks denotes the item is a multiple years project.

Summary No. 3 - District R&R
Selma-Kingsburg-Fowler County Sanitation District
Function #3 (District Capital Refurbishment and Replacement) - Activity Summary
For the Year ended June 30, 2017

	<u>Original Approved Budget</u>	<u>Final Approved Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Percent of Final Approved Budget</u>
<u>Revenue</u>					
Interest Earnings	81,715	81,715	97,563	15,848	119.39%
Total Revenue	<u>81,715</u>	<u>81,715</u>	<u>97,563</u>	<u>15,848</u>	<u>119.39%</u>
<u>Expenditures</u>					
Aerobic Digester No.2 Refurbishment	0	0	37,341	(37,341)	0.00%
Fleet Replacement Program V10	0	0	57,664	(57,664)	0.00%
MLSS Line Refurb & RAS Line Replacement	1,022,370	1,022,370	0	1,022,370	0.00%
Fleet Replacement Program V30	159,000	159,000	135,578	23,422	85.27%
Fleet Replacement Program V28	30,681	30,681	29,129	1,552	94.94%
Dist. Lift Station Refurb D-4 (18th Street)	424,000	424,000	0	424,000	0.00%
* Opterra Solar Project	0	0	1,613,018	(1,613,018)	0.00%
* Replace Daft	1,392,908	1,392,908	419,397	973,511	30.11%
* Replace 4 Floating Aerators	376,800	376,800	0	376,800	0.00%
Total Expenditures	<u>3,405,759</u>	<u>3,405,759</u>	<u>2,292,127</u>	<u>1,113,632</u>	<u>67.30%</u>
Transfer from Function #1 O&M	<u>1,349,240</u>	<u>1,349,240</u>	<u>1,349,240</u>	<u>0</u>	<u>100.00%</u>
Change in Net Position (Budget Basis)			<u>(845,324)</u>		
Capitalization of Expenditure Adjustment			<u>2,292,127</u>		
Change in Net Net Position (GAAP Basis)			<u><u>1,446,803</u></u>		

Notes: 1) The expenses in this activity summary reflect expenses in the budget year and are prior to any capitalization.
2) * Asterisks denotes the item is a multiple years project.

**Summary No. 4-Collection System R&R (Selma)
Selma-Kingsburg-Fowler County Sanitation District
Function #4 (District Collection System Capital Refurbishment & Replacement) - Activity Summary
For the Year ended June 30, 2017**

	<u>Original Approved Budget</u>	<u>Final Approved Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Percent of Final Approved Budget</u>
<u>Revenue</u>					
Service Charges	283,490	283,490	278,579	(4,911)	98.27%
Interest Earnings	33,441	33,441	19,717	(13,724)	58.96%
Total Revenue	<u>316,931</u>	<u>316,931</u>	<u>298,296</u>	<u>(18,635)</u>	<u>94.12%</u>
Loan Proceeds	<u>6,500,000</u>	<u>6,500,000</u>	<u>0</u>	<u>(6,500,000)</u>	<u>0.00%</u>
<u>Expenditures</u>					
Miscellaneous Repairs	25,000	25,000	2,000	23,000	8.00%
* McCall Avenue Sewer R&R	<u>6,425,000</u>	<u>6,425,000</u>	<u>157,677</u>	<u>6,267,323</u>	<u>2.45%</u>
Total Expenditures	<u>6,450,000</u>	<u>6,450,000</u>	<u>159,677</u>	<u>6,290,323</u>	<u>2.48%</u>
<u>Change in Net Position</u>			<u><u>138,619</u></u>		

Note: 1) The expenses in this activity summary reflect expenses in the budget year and are prior to any capitalization.
2) * Asterisks denotes the item is a multiple years project.

**Summary No. 5-Collection System R&R (Kingsburg)
Selma-Kingsburg-Fowler County Sanitation District
Function #5 (District Collection System Capital Refurbishment &Replacement) - Activity Summary
For the Year ended June 30, 2017**

	Original Approved Budget	Final Approved Budget	Actual	Variance Favorable (Unfavorable)	Percent of Final Approved Budget
<u>Revenue</u>					
Service Fees	207,413	207,413	217,329	9,916	104.78%
Interest Earnings	55,714	55,714	38,929	(16,785)	69.87%
Total Revenue	263,127	263,127	256,258	(6,869)	97.39%
<u>Expenditures</u>					
Miscellaneous Repair	25,000	25,000	0	25,000	0.00%
Gilroy/18th Street Sewers	600,000	600,000	0	600,000	0.00%
Total Expenditures	625,000	625,000	0	625,000	0.00%
<u>Change in Net Position</u>			256,258		

**Note: 1) The expenses in this activity summary reflect expenses in the budget year and are prior to any capitalization.
2) * Asterisks denotes the item is a multiple years project.**

Summary No. 6-Collection System R&R (Fowler)
Selma-Kingsburg-Fowler County Sanitation District
Function #6 (District Collection System Capital Refurbishment &Replacement) - Activity Summary
For the Year ended June 30, 2017

	<u>Original Approved Budget</u>	<u>Final Approved Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Percent of Final Approved Budget</u>
<u>Revenue</u>					
Service Charges	128,762	128,762	134,231	5,469	104.25%
Interest Earnings	22,844	22,844	16,502	(6,342)	72.24%
Total Revenue	<u>151,606</u>	<u>151,606</u>	<u>150,733</u>	<u>(873)</u>	<u>99.42%</u>
<u>Expenditures</u>					
Miscellaneous Repair	25,000	25,000	(1,000)	26,000	-4.00%
City of Fowler Collection System R&R	185,000	185,000	-	185,000	0.00%
Total Expenditures	<u>210,000</u>	<u>210,000</u>	<u>(1,000)</u>	<u>185,000</u>	<u>-0.48%</u>
<u>Change in Net Position</u>			<u><u>151,733</u></u>		

Note: 1) The expenses in this activity summary reflect expenses in the budget year and are prior to any capitalization.

2) * Asterisks denotes the item is a multiple years project.