

**PLUMAS EUREKA  
COMMUNITY SERVICES DISTRICT**

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**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
for the year ended June 30, 2012**

**ROBERT W. JOHNSON**  
**Certified Public Accountant**

## TABLE OF CONTENTS

	<u>Pages</u>
Independent Auditor's Report	1-2
Financial Statements:	
Balance Sheet	3
Statement of Activities and Changes in Net Assets	4
Statement of Cash Flows – Enterprise Fund	5-6
Statement of Net Assets and Governmental Fund Balance Sheet - Fire	7
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances – Fire	8
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - Fire	9-10
Notes to Financial Statements	11-23
Report on Internal Controls and Compliance	
Report on Internal Control over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	25-26
Supplemental Information:	
Statement of Activities and Changes in Net Assets – Detailed	28-29

**ROBERT  
W.  
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**An Accountancy Corporation  
Certified Public Accountant**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Plumas Eureka Community Services District  
Blairsden, California

We have audited the accompanying financial statements of the enterprise activities and the governmental activities of Plumas Eureka Community Services District, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We were unable to verify the customer accounts receivable list at June 30, 2012. Management has informed us that this accounts receivable problem resulted from a software malfunction.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had customer accounts receivable been verified, the financial statements referred to above present fairly, in all material respects, the respective financial position of the enterprise activities and the governmental activities of Plumas Eureka Community Services District as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and State Regulations governing Special Districts.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our 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 our audit.

The Management's Discussion and Analysis is not a required part of the financial statements but is supplemental information required by the Government Auditing Standards Board. Management has elected to omit the Management's Discussion and Analysis.

The accompanying supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Plumas Eureka Community Services District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Robert W. Johnson, An Accounting Corporation*

Citrus Heights, California  
October 8, 2012

PLUMAS EUREKA COMMUNITY SERVICES DISTRICT  
BALANCE SHEET  
June 30, 2012

	<u>Enterprise Funds</u>			<u>Governmental</u>	<u>Total</u>
	<u>Water</u>	<u>Wastewater</u>	<u>Combined</u>	<u>Fund</u> <u>Fire</u>	
<b>ASSETS</b>					
Current assets:					
Cash – checking	\$ 443	\$( 136)	\$ 307	\$ 358	\$ 665
– savings	( 4,744)	38,475	33,731	14,762	48,493
– LAIF	10,209	280	10,489	18,081	28,570
Taxes receivable	-	-	-	-	-
Accounts receivable	22,892	41,802	64,694	5,755	70,449
Prepaid expense	1,566	1,770	3,336	3,472	6,808
Due from other funds	<u>28,822</u>	<u>16,816</u>	<u>45,638</u>	<u>-</u>	<u>45,638</u>
Total current assets	<u>59,188</u>	<u>99,007</u>	<u>158,195</u>	<u>42,428</u>	<u>200,623</u>
Capital assets,					
at cost (Notes 4 and 6):	2,099,658	3,474,553	5,574,211	530,341	6,104,552
Less accumulated depreciation	<u>1,485,728</u>	<u>1,782,724</u>	<u>3,268,452</u>	<u>332,271</u>	<u>3,600,723</u>
	613,930	1,691,829	2,305,759	198,070	2,503,829
Work in progress	<u>363,253</u>	<u>-</u>	<u>363,253</u>	<u>-</u>	<u>363,253</u>
	<u>977,183</u>	<u>1,691,829</u>	<u>2,669,012</u>	<u>198,070</u>	<u>2,867,082</u>
Restricted cash (Note 5)	<u>230,078</u>	<u>358,639</u>	<u>588,717</u>	<u>8,549</u>	<u>597,266</u>
	<u>\$1,266,449</u>	<u>\$2,149,475</u>	<u>\$3,415,924</u>	<u>\$ 249,047</u>	<u>\$3,664,971</u>

See notes to financial statements

	<u>Enterprise Funds</u>			<u>Governmental</u>	<u>Total</u>
	<u>Water</u>	<u>Wastewater</u>	<u>Combined</u>	<u>Fund</u> <u>Fire</u>	
<b>LIABILITIES AND NET ASSETS</b>					
Current liabilities:					
Current portion of long-term debt (Note 6)	\$ -	\$ 41,040	\$ 41,040	\$ -	\$ 41,040
Accounts payable	22,884	14,071	36,955	1,898	38,853
Accrued liabilities	279	437	716	-	716
Due to other funds	-	-	-	45,638	45,638
Total current liabilities	<u>23,163</u>	<u>55,548</u>	<u>78,711</u>	<u>47,536</u>	<u>126,247</u>
Long-term debt, net of current portion (Note 6)	<u>-</u>	<u>1,373,190</u>	<u>1,373,190</u>	<u>-</u>	<u>1,373,190</u>
Net assets (Notes 9 and 10):					
Investment in capital assets, net of related debt	977,183	277,599	1,254,782	198,070	1,452,852
Restricted	-	46,849	46,849	1,685	48,534
Unrestricted	<u>266,103</u>	<u>396,289</u>	<u>662,392</u>	<u>1,756</u>	<u>664,148</u>
	<u>1,243,286</u>	<u>720,737</u>	<u>1,964,023</u>	<u>201,511</u>	<u>2,165,534</u>
	<u>\$1,266,449</u>	<u>\$2,149,475</u>	<u>\$3,415,924</u>	<u>\$ 249,047</u>	<u>\$3,664,971</u>

PLUMAS EUREKA COMMUNITY SERVICES DISTRICT  
 STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
 for the year ended June 30, 2012

<u>Functions/Programs</u>	<u>Program Revenues</u>		
Primary government:	<u>Expenses</u>	<u>Charges for Services</u>	<u>Grants and Contributions</u>
Governmental activities:			
Fire	\$ <u>150,461</u>	\$ <u>41,865</u>	\$ <u>-</u>
Total governmental activities	<u>150,461</u>	<u>41,865</u>	<u>-</u>
Business-type activities:			
Water	315,160	328,232	-
Wastewater	<u>366,014</u>	<u>392,515</u>	<u>-</u>
Total business-type activities	<u>681,174</u>	<u>720,747</u>	<u>-</u>
Total primary government	\$ <u>831,635</u>	\$ <u>762,612</u>	\$ <u>-</u>

General revenues:  
 Property taxes  
 Interest income  
 Other income

Total general revenues

Changes in net assets

Net assets – beginning

Net assets – ending

See notes to financial statements

Net (Expense) Revenue and Changes in Net Assets

Primary Government

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>\$( 108,596)</u>		<u>\$( 108,596)</u>
<u>( 108,596)</u>		<u>( 108,596)</u>
<u>-</u>	<u>\$ 13,072</u>	<u>13,072</u>
<u>-</u>	<u>26,501</u>	<u>26,501</u>
<u>-</u>	<u>39,573</u>	<u>39,573</u>
<u>( 108,596)</u>	<u>39,573</u>	<u>( 69,023)</u>
<u>27,253</u>	<u>-</u>	<u>27,253</u>
<u>150</u>	<u>2,353</u>	<u>2,503</u>
<u>41,734</u>	<u>-</u>	<u>41,734</u>
<u>69,137</u>	<u>2,353</u>	<u>71,490</u>
<u>( 39,459)</u>	<u>41,926</u>	<u>2,467</u>
<u>240,970</u>	<u>1,922,097</u>	<u>2,163,067</u>
<u>\$ 201,511</u>	<u>\$1,964,023</u>	<u>\$2,165,534</u>



PLUMAS EUREKA COMMUNITY SERVICES DISTRICT  
STATEMENT OF CASH FLOWS – ENTERPRISE FUND  
for the year ended June 30, 2012

	Enterprise Funds		
	Water	Wastewater	Total
Cash flows from operating activities:			
Receipts from customers	\$ 306,601	\$ 352,269	\$ 658,870
Payment to suppliers	(184,870)	( 145,321)	( 330,191)
Payment to employees	(101,108)	( 77,789)	( 178,897)
Net cash provided by operating activities	<u>20,623</u>	<u>129,159</u>	<u>149,782</u>
Cash flows from noncapital financing activities:			
Receipts from property taxes and other nonoperating income	-	-	-
Capital contributions	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	(135,557)	( 37,902)	( 173,459)
Principal paid on capital debt	-	( 40,640)	( 40,640)
Interest paid on capital debt	<u>-</u>	<u>( 65,499)</u>	<u>( 65,499)</u>
	<u>(135,557)</u>	<u>( 144,041)</u>	<u>( 279,598)</u>
Cash flows from investing activities:			
Interest income	<u>1,105</u>	<u>1,248</u>	<u>2,353</u>
Net increase (decrease) in cash and cash equivalents	(113,829)	( 13,634)	( 127,463)
Cash and cash equivalents:			
Beginning of year	<u>349,815</u>	<u>410,892</u>	<u>760,707</u>
End of year	<u>\$ 235,986</u>	<u>\$ 397,258</u>	<u>\$ 633,244</u>

See notes to financial statements

PLUMAS EUREKA COMMUNITY SERVICES DISTRICT  
STATEMENT OF CASH FLOWS – ENTERPRISE FUND, continued  
for the year ended June 30, 2012

	Enterprise Funds		Total
	Water	Wastewater	
Reconciliation of operating income (loss) to cash provided by operating activities:			
Operating income (loss)	\$ <u>13,072</u>	\$ <u>92,000</u>	\$ <u>105,072</u>
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	32,172	67,790	99,962
Changes in operating assets and liabilities:			
Receivables	( 21,631)	( 40,246)	( 61,877)
Prepaid expense	37	42	79
Interfund balances	( 16,257)	4,613	( 11,644)
Payables	<u>13,230</u>	<u>4,960</u>	<u>18,190</u>
	<u>7,551</u>	<u>37,159</u>	<u>44,710</u>
Net cash provided by operating activities	\$ <u>20,623</u>	\$ <u>129,159</u>	\$ <u>149,782</u>
Supplementary information:			
Cash paid for interest	\$ <u>-</u>	\$ <u>65,499</u>	\$ <u>65,499</u>

See notes to financial statements

PLUMAS EUREKA COMMUNITY SERVICES DISTRICT  
STATEMENT OF NET ASSETS AND GOVERNMENTAL  
FUND BALANCE SHEET – FIRE DEPARTMENT  
June 30, 2012

ASSETS	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Cash - checking	\$ 358	\$ -	\$ 358
- savings	14,762	-	14,762
- LAIF	18,081	-	18,081
Taxes receivable	-	-	-
Accounts receivable	5,755	-	5,755
Prepaid expense	3,472	-	3,472
Restricted cash (Note 5)	8,549	-	8,549
Capital assets (Note 4 and 6)	-	530,341	530,341
Less, accumulated depreciation	<u>-</u>	<u>( 332,271)</u>	<u>( 332,271)</u>
	<u>\$ 50,977</u>	<u>\$ 198,070</u>	<u>\$ 249,047</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 1,898	\$ -	\$ 1,898
Due to other funds	<u>45,638</u>	<u>-</u>	<u>45,638</u>
Total liabilities	<u>47,536</u>	<u>-</u>	<u>47,536</u>
<b>FUND BALANCES/NET ASSETS</b>			
Fund balances (Note 10):			
Restricted	1,685	( 1,685)	-
Committed	1,756	( 1,756)	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>3,441</u>	<u>( 3,441)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 50,977</u>		
Net assets (Note 10):			
Invested in capital assets, net of related debt		198,070	198,070
Restricted		1,685	1,685
Unrestricted		<u>1,756</u>	<u>1,756</u>
Total net assets		<u>\$ 201,511</u>	<u>\$ 201,511</u>

See notes to financial statements

PLUMAS EUREKA COMMUNITY SERVICES DISTRICT  
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES – FIRE DEPARTMENT  
for the year ended June 30, 2012

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Program expenditures/expenses:			
Public protection	\$ 99,902	\$ -	\$ 99,902
Support services	18,226	-	18,226
Capital outlay	47,289	( 47,289)	-
Depreciation	<u>-</u>	<u>32,333</u>	<u>32,333</u>
Total program expenditures/expenses	<u>165,417</u>	<u>( 14,956)</u>	<u>150,461</u>
 Program revenues:			
Charges for services	-	-	-
Assessments	<u>33,365</u>	<u>-</u>	<u>33,365</u>
Total program revenues	<u>33,365</u>	<u>-</u>	<u>33,365</u>
 General revenues:			
Property taxes	27,253	-	27,253
Interest income	150	-	150
Other	18,428	-	18,428
Donations	-	-	-
ERAF reimbursement	8,500	-	8,500
Feeram/mitigation	<u>23,306</u>	<u>-</u>	<u>23,306</u>
Total general revenues	<u>77,637</u>	<u>-</u>	<u>77,637</u>
 Excess of revenues over expenditures/ change in net assets	( 54,415)	14,956	( 39,459)
 Beginning fund balances/net assets	<u>57,856</u>	<u>183,114</u>	<u>240,970</u>
 Ending fund balances/net assets	<u>\$ 3,441</u>	<u>\$ 198,070</u>	<u>\$ 201,511</u>

See notes to financial statements

PLUMAS EUREKA COMMUNITY SERVICES DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FIRE DEPARTMENT  
for the year ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Revenues:			
Assessments	\$ 31,365	\$ 33,365	\$ 2,000
Property taxes	32,000	27,253	( 4,747)
Interest income	200	150	( 50)
Other	-	18,428	18,428
Donations	-	-	-
ERAF reimbursement	8,500	8,500	-
Feeram/mitigation	<u>27,000</u>	<u>23,306</u>	<u>( 3,694)</u>
 Total revenues	 <u>99,065</u>	 <u>111,002</u>	 <u>11,937</u>
 Expenditures:			
Wages/contract labor	37,888	28,046	9,842
Employee benefits	11,425	12,767	( 1,342)
Payroll taxes	818	488	330
WC comp.	4,272	4,315	( 43)
Safety and training	5,852	5,827	25
Electricity	1,000	1,190	( 190)
Fuel	3,610	3,688	( 78)
Insurance	15,000	12,551	2,449
Feeram expense	1,800	21,290	( 19,490)
Maintenance	1,350	705	645
Office and telephone	5,080	4,760	320
Supplies and tools	3,000	7,185	( 4,185)
Accounting	3,175	3,458	( 283)
Legal	1,000	4,577	( 3,577)
Professional services	2,500	4,241	( 1,741)
Equipment and building	9,206	47,289	( 38,083)
Other costs	2,350	3,040	( 690)
Operational contingency	<u>745</u>	<u>-</u>	<u>745</u>
 Total expenditures	 <u>110,071</u>	 <u>165,417</u>	 <u>( 55,346)</u>
 Excess of revenues over (expenditures) (carried forward)	   ( 11,006)	   ( 54,415)	   ( 43,409)

See notes to financial statements

PLUMAS EUREKA COMMUNITY SERVICES DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES, continued  
 BUDGET AND ACTUAL  
 FIRE DEPARTMENT  
 for the year ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable) <u>Variance</u>
Excess of revenues over (expenditures) (brought forward)	\$( <u>11,006</u> )	\$( <u>54,415</u> )	\$( <u>43,409</u> )
Fund balance:			
Beginning		<u>57,856</u>	
Ending		<u>\$ 3,441</u>	

See notes to financial statements

PLUMAS EUREKA COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS

1. Organization:

Plumas Eureka Community Services District (the "District") was formed on June 16, 1993 by the Local Agency Formation Commission of Plumas County as a consolidation of services formerly provided by Plumas County Service Area Number 8 and the current Developer of the area. The District formation is pursuant to Government Code Section 57200 and is governed by a Board of Directors elected by the registered voters of the District.

Plumas Eureka Community Services District is currently responsible for the operation of the Community's water supply and distribution system, wastewater collection and treatment facilities, the Volunteer Fire Department and some snow plowing and road maintenance activities.

2. Summary of Significant Accounting Policies:

The accounting policies of the Plumas Eureka Community Services District conform to generally accepted accounting principles applicable to enterprise funds. The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The two funds in these financial statements are grouped as follows:

Enterprise Fund:

The enterprise fund is used to account for water and wastewater operations that are financed and operated in a manner similar to private business enterprises. The intent of the District is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

Governmental Fund:

The governmental fund is used to account for all financial resources of the fire department. This fund is also used to establish accounting control and accountability for fixed assets of the aforementioned activity.

PLUMAS EUREKA COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies, continued:

Basis of Accounting

The basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The District's books and accounts are based upon the Uniform System of Accounts for Public Utilities as prescribed by the Division of Local Government Fiscal Affairs of the State of California. The records are maintained and the accompanying financial statements are presented on the accrual basis of accounting.

Operating revenues and expenses, such as water sales along with water expenses, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses. Non-operating revenues and expenses, such as grant funding, investment income and interest expense, result from non-exchange transactions, in which, the District gives (receives) value without directly receiving (giving) value in exchange.

Depreciation

Property and equipment is recorded on the basis of purchase cost. Assets acquired by developer contribution are recorded at estimated cost or fair market value at the date of acquisition.

Depreciation is calculated using the straight-line method over the estimated useful lives.

Statement of Cash Flows

All highly liquid investments with a maturity of three months or less when purchased, are considered to be cash equivalents.

Budget and Budgetary Accounting

The Board of Directors annually adopts an operating budget. The operating budgets are prepared on the accrual basis.



PLUMAS EUREKA COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies, continued:

Use of Estimates

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

Property Taxes

The District receives property taxes from Plumas County. Property taxes receivable are recorded in the fiscal year for which the tax is levied based on the assessed value as of September 1 of the preceding fiscal year. They become a lien on the first day of the year they are levied. Secured property tax is levied on September 1 and due in two installments, on November 1 and March 1. They become delinquent on December 10 and April 10, respectively. Unsecured property taxes are due on July 1, and become delinquent on August 31. The District elected to receive the property taxes from the County under the Teeter Bill Program. Under this Program, the District receives 100% of the levied property taxes in periodic payments, with the County assuming responsibility for delinquencies.

Property tax revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as a current liability of the fund that will pay it; and as an offsetting expenditure of the governmental fund or expense of the proprietary fund. Sick pay was not vested.

Investments

Investments consist of LAIF (State of California pooled investment fund). Investments are stated at market value. Such investment is within the State statutes and the District's investment policy.

PLUMAS EUREKA COMMUNITY SERVICES DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies, continued:

Capitalization of Interest

The District capitalizes interest expense during the construction period of projects.

3. Cash and Investments:

At year-end the carrying amount of the District's deposits in a bank was \$150,874 and the bank balance was \$151,726. The bank balance was covered by Federal depository insurance and collateral held in the pledging bank's trust department as mandated by State law.

	Balance June 30, <u>2012</u>
Cash in checking	\$ 665
Money market	<u>150,209</u>
	<u>\$ 150,874</u>
 <u>Allocated:</u>	
Operations	\$ 49,158
Restricted	<u>101,716</u>
	<u>\$ 150,874</u>

PLUMAS EUREKA COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

3. Cash and Investments, continued:

Investments:

California statutes authorize the District to invest in a variety of credit instruments as provided for in the California Government Code Section 53600, Chapter 4 – Financial Affairs. The Government Code allows investments in obligations of the U.S. Treasury, agencies, and instrumentalities, commercial paper rated A-1 by Standard & Poor’s or P-1 by Moody’s Commercial Paper Record, bankers’ acceptances, repurchase agreements, medium-term corporate notes, mutual funds and the State Treasurer’s Local Agency Investment Fund (LAIF). The investment in LAIF is reported at fair value.

	<u>Carrying Amount</u>	<u>Market Value</u>
Balance, June 30, 2012, Local Agency Investment Fund	\$ <u>524,120</u>	\$ <u>524,120</u>

Pursuant to Government Accounting Standards Board Statement 3, the investment in LAIF is not classified in categories of credit risk. The District’s funds in LAIF are invested in a diversified portfolio (of underlying investments e.g. U.S. Treasury obligations) such that it considers the risk of material loss to be minimal. The funds held in LAIF can be withdrawn on demand.

4. Capital Assets:

Changes in enterprise capital assets for the year ended June 30, 2012 are as follows:

<u>Water</u>	<u>Balance 6/30/2011</u>	<u>Additions/ Transfers</u>	<u>Disposals</u>	<u>Balance 6/30/2012</u>
Plant	\$1,080,040	\$ 57,544	\$ -	\$1,137,584
General equipment	191,697	22,787	-	214,484
Distribution	<u>747,590</u>	<u>-</u>	<u>-</u>	<u>747,590</u>
	<u>\$2,019,327</u>	<u>\$ 80,331</u>	<u>\$ -</u>	<u>\$2,099,658</u>

PLUMAS EUREKA COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

4. Capital Assets, continued:

<u>Work in progress - water</u>	<u>Balance</u> <u>6/30/2011</u>	<u>Additions</u>	<u>Transfers</u>	<u>Balance</u> <u>6/30/2012</u>
Well capacity study	\$ 296,364	\$ 66,889	\$ -	\$ 363,253
Equipment	-	16,432	16,432	-
Building expansion	9,408	48,136	57,544	-
Backup power project	<u>2,255</u>	<u>4,100</u>	<u>6,355</u>	<u>-</u>
	<u>\$ 308,027</u>	<u>\$ 135,557</u>	<u>\$ 80,331</u>	<u>\$ 363,253</u>

<u>Wastewater</u>	<u>Balance</u> <u>6/30/2011</u>	<u>Additions/ Transfers</u>	<u>Disposals</u>	<u>Balance</u> <u>6/30/2012</u>
Plant	\$2,217,276	\$ 40,392	\$ -	\$2,257,668
General equipment	177,694	6,468	-	184,162
Collection	393,470	-	-	393,470
Disposal	<u>639,253</u>	<u>-</u>	<u>-</u>	<u>639,253</u>
	<u>\$3,427,693</u>	<u>\$ 46,860</u>	<u>\$ -</u>	<u>\$3,474,553</u>

<u>Work in progress - wastewater</u>	<u>Balance</u> <u>6/30/2011</u>	<u>Additions</u>	<u>Transfers</u>	<u>Balance</u> <u>6/30/2012</u>
Building expansion	\$ 8,958	\$ 31,434	\$ 40,392	\$ -
Equipment	<u>-</u>	<u>6,468</u>	<u>6,468</u>	<u>-</u>
	<u>\$ 8,958</u>	<u>\$ 37,902</u>	<u>\$ 46,860</u>	<u>\$ -</u>

PLUMAS EUREKA COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

4. Capital Assets, continued:

Changes in governmental capital assets for the year ended June 30, 2012 are as follows:

<u>Fire</u>	<u>Balance</u> <u>6/30/2011</u>	<u>Additions/</u> <u>Transfers</u>	<u>Disposals</u>	<u>Balance</u> <u>6/30/2012</u>
Land and building	\$ 74,142	\$ 39,067	\$ -	\$ 113,209
Vehicles	198,875	-	-	198,875
General equipment	<u>208,604</u>	<u>9,653</u>	<u>-</u>	<u>218,257</u>
	<u>\$ 481,621</u>	<u>\$ 48,720</u>	<u>\$ -</u>	<u>\$ 530,341</u>

<u>Work in progress – fire</u>	<u>Balance</u> <u>6/30/2011</u>	<u>Additions</u>	<u>Transfers</u>	<u>Balance</u> <u>6/30/2012</u>
Building expansion	<u>\$ 1,431</u>	<u>\$ 37,636</u>	<u>\$ 39,067</u>	<u>\$ -</u>

5. Restricted Cash:

	<u>Water</u>	<u>Wastewater</u>	<u>Fire</u>
Savings – hookup fees	\$ 32,850	\$ -	\$ -
– reserve set aside	-	58,941	-
– improvement district	-	10,092	-
– Feeram	-	-	( 167)
LAIF – water reserve	169,228	252,849	-
– DHLF bond	-	36,757	-
– Feeram	-	-	1,852
– equipment and maint. reserves	<u>28,000</u>	<u>-</u>	<u>6,864</u>
	<u>\$ 230,078</u>	<u>\$ 358,639</u>	<u>\$ 8,549</u>

PLUMAS EUREKA COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

6. Long-term Debt:

The following is a summary of the long-term debt activities for the year ended June 30, 2012:

	<u>2011</u>	<u>New Debt Issued</u>	<u>Debt Retired</u>	<u>2012</u>	<u>Current Portion</u>
Sewer Revenue					
Bond, Series 2006A	\$ 654,920	\$ -	\$ 7,800	\$ 647,120	\$ 8,150
Sewer Revenue					
Bond, Series 2006B	473,550	-	5,640	467,910	5,890
2008 Private Placement					
Refunding	<u>326,400</u>	<u>-</u>	<u>27,200</u>	<u>299,200</u>	<u>27,000</u>
	<u>\$1,454,870</u>	<u>\$ -</u>	<u>\$ 40,640</u>	<u>\$1,414,230</u>	<u>\$ 41,040</u>

Sewer Revenue Bond, Series 2006A

On December 8, 2006 the District issued \$683,000 United States Department of Agriculture, Rural Development revenue bonds. The purpose of this issue was to finance the repair and expansion of Wastewater Treatment Plant No. 7. Interest rate on this bond is 4.375% per annum and is payable semiannually on December 1 and June 1 each year. This bond is a special obligation of the District, and is payable solely from the revenues of the District's sewer enterprise. This bond is secured by a pledge of all the revenues.

Sewer Revenue Bond, Series 2006B

On June 30, 2007 the District had secured financing with the United States Department of Agriculture, Rural Development in the amount of \$439,850. The purpose of this loan was also to finance the expansion of the Wastewater Treatment Plant No. 7. Interest rate on this bond is 4.375% per annum and is payable semiannually on December 1 and June 1 each year. This bond is a special obligation of the District, and is payable solely from the revenues of the District's sewer enterprise. This bond is secured by a pledge of all the revenues.

2008 Private Placement Refunding

On April 28, 2008 the District refinanced the 1996 Series CC Certificates of Participation with the proceeds of a new loan, 2008 Private Placement Refunding, in the amount of \$391,600. The purpose of the original issue was to finance the costs of constructing a replacement community leach field and certain other capital improvements. Interest rate of the loan is 5.25% per annum and is payable semiannually on September 1 and March 1 each year.

PLUMAS EUREKA COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

6. Long-term Debt, continued:

The future annual maturities of all long-term borrowings as of June 30, 2012 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 41,040	\$ 63,475	\$ 104,515
2014	41,350	61,437	102,787
2015	46,960	59,257	105,947
2016	46,690	56,936	103,896
2017	52,360	54,471	106,831
2018-2022	242,270	233,535	475,805
2023-2027	117,540	193,988	311,528
2028-2032	145,580	165,316	310,896
2033-2037	180,340	129,797	310,137
2038-2042	223,390	85,800	309,190
2043-2047	<u>276,710</u>	<u>31,300</u>	<u>308,010</u>
	<u>\$1,414,230</u>	<u>\$1,135,312</u>	<u>\$2,549,542</u>

7. Defined Benefit Retirement Plan:

Plan Description

The District contributes to the California Public Employees Retirement System (CalPERS), a cost sharing multiple-employer defined benefit pension plan. The District participates in the miscellaneous 2% at 55 risk pool. 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 employers within the State of California. CalPERS require agencies with less than 100 active members in the plan to participate in the risk pool. All District permanent employees are eligible to participate in the System. Benefits vest after five years of service. District employees who retire at age 50 to 63 and with over 5 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1.426 to 2.418 percent of their average salary during their last 36 months of employment. A menu of benefits provision as well as other requirements is established by State Statutes within the Public Employees Retirement Law. The plan selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through District resolution. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS executive Office, 400 P Street, Sacramento, California, 95814.

PLUMAS EUREKA COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

7. Defined Benefit Retirement Plan, continued:

Funding Policy

Covered employees are required by statute to contribute 7 percent of their salary to the plan after a formula to coordinate with Social Security. The District is required by the same statute to contribute the remaining amounts necessary to pay benefits when due. The District is required to contribute at an actuarially determined rate. The required employer contribution rate for 2009/10 was 22.62%, for 2010/11 was 22.785% and for 2011/12 was 22.892%. The contribution requirements of the plan members and the District are established and may be amended by CalPERS. The District's contributions for the years ended June 30, 2012, 2011 and 2010 were \$40,124, \$42,708 and \$40,597 respectively, which were equal to the required contributions each year.

8. Risk of Loss:

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; and injuries to employees. During the 2012 fiscal year, the District purchased certain commercial insurance coverages to provide for these risks.



PLUMAS EUREKA COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

9. Net Assets:

Net assets at June 30, 2012 is analyzed as follows:

	<u>Enterprise Funds</u>		<u>Governmental Fund</u>
	<u>Water</u>	<u>Wastewater</u>	<u>Fire</u>
Invested in capital assets, net of related debt	\$ <u>977,183</u>	\$ <u>277,599</u>	\$ <u>198,070</u>
Restricted:			
Loan reserves	-	46,849	-
Feeram reserve	<u>-</u>	<u>-</u>	<u>1,685</u>
	<u>-</u>	<u>46,849</u>	<u>1,685</u>
<u>Unrestricted:</u>			
Designated by Board:			
Road maintenance	15,000	-	-
Plant expansion	169,228	252,849	-
Equipment reserve	<u>45,850</u>	<u>58,941</u>	<u>6,864</u>
	230,078	311,790	6,864
Undesignated	<u>36,025</u>	<u>84,499</u>	<u>( 5,108)</u>
	<u>266,103</u>	<u>396,289</u>	<u>1,756</u>
Total net assets	<u>\$1,243,286</u>	<u>\$ 720,737</u>	<u>\$ 201,511</u>

PLUMAS EUREKA COMMUNITY SERVICES DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued

10. Equity (Fire):

General fund:

Total fund balances consist of:

Restricted for:

Feeram reserve	\$ 1,685
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Committed for:

Equipment reserve	1,756
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Unassigned:

-
\$ 3,441

Statement of Net Assets:

Total net assets consist of:

Investment in capital assets,  
net of related debt:

\$ 198,070
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Restricted:

Feeram reserve	1,685
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Unrestricted:

Board designated:

Equipment reserve	\$ 6,864
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Undesignated:

( 5,108)
----------

1,756
\$ 201,511

PLUMAS EUREKA COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

11. Arsenic Treatment Facility:

The District is currently under a compliance order from the California Department of Public Health (CDPH) to meet water supply and arsenic concentration standards. In order to comply with the arsenic standard, either the arsenic level in the existing groundwater supply must be lowered through utilization of an arsenic treatment system or must be blended with an outside source of water with a lower arsenic concentration.

The District hired an Engineering firm from Reno Nevada, to research possible alternatives to achieve the required CDPH standards. A Preliminary Engineering Report (PER) was completed and submitted to CDPH in June 2009, which recommended the District build a 0.8 to 1.0 million gallons per day arsenic treatment facility with an estimated project cost of \$7,302,100 or find a new drinking water source that contains little or no arsenic for possible blending with existing groundwater sources to achieve the arsenic standard. The District is in the process of drilling and testing new groundwater wells in an effort to locate a viable source lower in arsenic. No final decision from CDPH had been received by the writing of this report.

12. Subsequent Events:

Management has evaluated subsequent events through October 8, 2012, the date these June 30, 2012 financial statements were available to be issued.

**REPORT ON INTERNAL CONTROLS  
AND COMPLIANCE**

**ROBERT  
W.  
JOHNSON**

An Accountancy Corporation  
Certified Public Accountant

6234 BIRDCAGE STREET • CITRUS HEIGHTS, CA 95610-5949 • (916) 723-2555

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  
Plumas Eureka Community Services District  
Blairsden, California

We have audited the financial statements of Plumas Eureka Community Services District as of and for the year ended June 30, 2012, and have issued our report thereon dated October 8, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the State Controller's Minimum Audit Requirements for California Special Districts.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Plumas Eureka Community Services District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

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

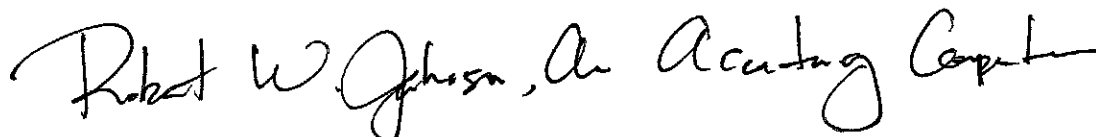
To the Board of Directors  
Plumas Eureka Community Services District  
Blairsden, California

Compliance and Other Matters

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

We noted certain matters that we reported to management of the District, in a separate letter dated October 8, 2012.

This report is intended solely for the information and use of the Board of Directors of Plumas Eureka Community Services District and its management, and is not intended to be and should not be used by anyone other than these specified parties.



Robert W. Johnson, An Accountancy Corporation  
October 8, 2012

**SUPPLEMENTAL INFORMATION**

PLUMAS EUREKA COMMUNITY SERVICES DISTRICT  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS - DETAILED  
for the year ended June 30, 2012

	Enterprise Funds		
	Water	Wastewater	Combined
Operating revenues:			
Water sales	\$ 220,318	\$ -	\$ 220,318
Service income	-	210,786	210,786
Reserve income	103,958	52,976	156,934
Bond debt fee	-	54,965	54,965
Hook-up fees	-	-	-
Assessments	-	-	-
Bond levy	-	71,899	71,899
Other	<u>3,956</u>	<u>1,889</u>	<u>5,845</u>
Total operating revenues	<u>328,232</u>	<u>392,515</u>	<u>720,747</u>
Operating expenses:			
Pumping	81,218	-	81,218
Water treatment	22,922	-	22,922
Transmission and distribution	61,125	-	61,125
Collection	-	9,309	9,309
Sewage treatment	-	111,243	111,243
Disposal	-	18,385	18,385
Administration and general	117,723	93,788	211,511
Depreciation	32,172	67,790	99,962
Public protection	-	-	-
Support services	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>315,160</u>	<u>300,515</u>	<u>615,675</u>
Operating income (loss)	<u>13,072</u>	<u>92,000</u>	<u>105,072</u>
Non-operating revenues (expenses):			
Interest income	1,105	1,248	2,353
Interest expense	-	( 65,499)	( 65,499)
Property taxes	-	-	-
Feeram/mitigation	-	-	-
Other revenues	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,105</u>	<u>( 64,251)</u>	<u>( 63,146)</u>
Income (loss) before contributions (carried forward)	14,177	27,749	41,926



Governmental Fund

<u>Fire</u>	<u>Total</u>
\$ -	\$ 220,318
-	210,786
-	156,934
-	54,965
-	-
33,365	33,365
-	71,899
<u>8,500</u>	<u>14,345</u>
<u>41,865</u>	<u>762,612</u>
-	81,218
-	22,922
-	61,125
-	9,309
-	111,243
-	18,385
-	211,511
32,333	132,295
99,902	99,902
<u>18,226</u>	<u>18,226</u>
<u>150,461</u>	<u>766,136</u>
<u>(108,596)</u>	<u>( 3,524)</u>
150	2,503
-	( 65,499)
27,253	27,253
23,306	23,306
18,428	18,428
-	-
<u>69,137</u>	<u>5,991</u>
( 39,459)	2,467

PLUMAS EUREKA COMMUNITY SERVICES DISTRICT  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS - DETAILED, continued  
for the year ended June 30, 2012

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>Combined</u>
Income (loss) before contributions (brought forward)	\$ 14,177	\$ 27,749	\$ 41,926
Capital contributions	<u>-</u>	<u>-</u>	<u>-</u>
Changes in net assets	14,177	27,749	41,926
Total net assets:			
Beginning	<u>1,229,109</u>	<u>692,988</u>	<u>1,922,097</u>
Ending	<u>\$1,243,286</u>	<u>\$ 720,737</u>	<u>\$1,964,023</u>

Governmental Fund

<u>Fire</u>	<u>Total</u>
\$( 39,459)	\$ 2,467
<u>-</u>	<u>-</u>
( 39,459)	2,467
<u>240,970</u>	<u>2,163,067</u>
<u>\$ 201,511</u>	<u>\$2,165,534</u>