

**PLUMAS EUREKA  
COMMUNITY SERVICES DISTRICT**

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**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
for the year ended June 30, 2016**

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PLUMAS EUREKA COMMUNITY SERVICES DISTRICT  
 STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION  
 for the year ended June 30, 2016

<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>140,732</u>	\$ <u>71,837</u>	\$ <u>-</u>
Total governmental activities	<u>140,732</u>	<u>71,837</u>	<u>-</u>
Business-type activities:			
Water	587,798	343,160	-
Wastewater	<u>422,466</u>	<u>400,877</u>	<u>-</u>
Total business-type activities	<u>1,010,264</u>	<u>744,037</u>	<u>-</u>
Total primary government	<u>\$1,150,996</u>	<u>\$ 815,874</u>	<u>\$ -</u>
		General revenues:	
		Property taxes	
		Interest income	
		Other income	
		Total general revenues	
		Changes in net position	
		Net position – beginning	
		Net position – ending	

See notes to financial statements













Net (Expense) Revenue and Changes in Net Position

Primary Government

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>\$( 68,895)</u>		<u>\$( 68,895)</u>
<u>( 68,895)</u>		<u>( 68,895)</u>
<u>-</u>	<u>\$( 244,638)</u>	<u>( 244,638)</u>
<u>-</u>	<u>( 21,589)</u>	<u>( 21,589)</u>
<u>-</u>	<u>( 266,227)</u>	<u>( 266,227)</u>
<u>( 68,895)</u>	<u>( 266,227)</u>	<u>( 335,122)</u>
<u>22,251</u>	<u>-</u>	<u>22,251</u>
<u>62</u>	<u>2,060</u>	<u>2,122</u>
<u>20,766</u>	<u>-</u>	<u>20,766</u>
<u>43,079</u>	<u>2,060</u>	<u>45,139</u>
<u>( 25,816)</u>	<u>( 264,167)</u>	<u>( 289,983)</u>
<u>181,512</u>	<u>1,837,531</u>	<u>2,019,043</u>
<u>\$ 155,696</u>	<u>\$1,573,364</u>	<u>\$1,729,060</u>

PLUMAS EUREKA COMMUNITY SERVICES DISTRICT  
STATEMENT OF CASH FLOWS – ENTERPRISE FUND  
for the year ended June 30, 2016

Cash flows from operating activities:		
Receipts from customers		\$ 758,596
Payment to suppliers		( 341,099)
Payment to employees		<u>( 231,727)</u>
Net cash provided by operating activities		185,770
Cash flows from noncapital financing activities:		
Receipts from property taxes and other nonoperating income	\$ <u>      -</u>	-
Cash flows from capital and related financing activities:		
Purchase of capital assets	( 16,106)	
Principal paid on capital debt	( 46,960)	
Interest paid on capital debt	<u>( 56,936)</u>	( 120,002)
Cash flows from investing activities:		
Interest income		<u>2,060</u>
Net increase (decrease) in cash and cash equivalents		67,828
Cash and cash equivalents:		
Beginning of year		<u>611,545</u>
End of year		<u>\$ 679,373</u>

See notes to financial statements

PLUMAS EUREKA COMMUNITY SERVICES DISTRICT  
STATEMENT OF CASH FLOWS – ENTERPRISE FUND, continued  
for the year ended June 30, 2016

Reconciliation of operating income (loss) to cash provided by operating activities:		
Operating income (loss)		\$ 55,866
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation expense	\$ 103,624	
Changes in operating assets and liabilities:		
Receivables	8,266	
Prepaid expense	( 2,039)	
Interfund balances	9,600	
Payables	( 6,776)	
Deferred outflows	( 629)	
Deferred inflows	31,980	
Net pension liability	( 20,415)	
Prepaid revenue	<u>6,293</u>	
		<u>129,904</u>
Net cash provided by operating activities		<u>\$ 185,770</u>

Supplementary information:	
Cash paid for interest	\$ <u>56,936</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, 2016

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Program expenditures/expenses:			
Public protection	\$103,719	\$ -	\$ 103,719
Support services	17,351	-	17,351
Capital outlay	-	-	-
Depreciation	<u>-</u>	<u>19,662</u>	<u>19,662</u>
Total program expenditures/expenses	<u>121,070</u>	<u>19,662</u>	<u>140,732</u>
 Program revenues:			
Charges for services	-	-	-
Assessments	<u>70,237</u>	<u>-</u>	<u>70,237</u>
Total program revenues	<u>70,237</u>	<u>-</u>	<u>70,237</u>
 General revenues:			
Property taxes	22,251	-	22,251
Interest income	62	-	62
Other	1,600	-	1,600
Donations	1,177	-	1,177
ERAF reimbursement	-	-	-
Feeram/mitigation	<u>19,589</u>	<u>-</u>	<u>19,589</u>
Total general revenues	<u>44,679</u>	<u>-</u>	<u>44,679</u>
 Excess of revenues over expenditures/ change in net position	( 6,154)	( 19,662)	( 25,816)
 Beginning fund balances/net position	<u>42,172</u>	<u>139,340</u>	<u>181,512</u>
 Ending fund balances/net position	<u>\$ 36,018</u>	<u>\$ 119,678</u>	<u>\$ 155,696</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, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Revenues:			
Assessments	\$ 70,187	\$ 70,237	\$ 50
Property taxes	27,000	22,251	( 4,749)
Interest income	200	62	( 138)
Other	23,000	1,600	( 21,400)
Donations	-	1,177	1,177
ERAF reimbursement	-	-	-
Feeram/mitigation	-	19,589	19,589
AR revenue loss	<u>( 1,250)</u>	<u>-</u>	<u>1,250</u>
 Total revenues	 <u>119,137</u>	 <u>114,916</u>	 <u>( 4,221)</u>
 Expenditures:			
Wages/contract labor	39,458	28,474	10,984
Employee benefits	22,049	16,647	5,402
Payroll taxes	563	586	( 23)
WC comp.	5,320	7,146	( 1,826)
Safety and training	10,300	13,070	( 2,770)
Electricity	1,500	957	543
Fuel	3,662	1,618	2,044
Insurance	15,000	13,257	1,743
Feeram expense	16,828	458	16,370
Maintenance	3,500	8,374	( 4,874)
Office and telephone	5,000	10,056	( 5,056)
Supplies and tools	650	6,064	( 5,414)
Accounting	2,000	3,585	( 1,585)
Legal	1,500	1,718	( 218)
Professional services	3,500	1,035	2,465
Equipment and building	10,000	-	10,000
Other costs	3,250	8,025	( 4,775)
Operational contingency	<u>-</u>	<u>-</u>	<u>-</u>
 Total expenditures	 <u>144,080</u>	 <u>121,070</u>	 <u>23,010</u>
 Excess of revenues over (expenditures) (carried forward)	   ( 24,943)	   ( 6,154)	   18,789

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, 2016

	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable) <u>Variance</u>
Excess of revenues over (expenditures) (brought forward)	\$( <u>24,943</u> )	\$( <u>6,154</u> )	\$ <u>18,789</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 basic financial statements of Plumas Eureka Community Services District have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

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.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

3. Cash and Investments:

At year-end the carrying amount of the District's deposits in a bank was \$303,426 and the bank balance was \$296,433. 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>2016</u>
Cash in checking	\$ 303,426
County cash	<u>2,922</u>
	<u>\$ 306,348</u>
 <u>Allocated:</u>	
Operations	\$ 306,348
Restricted	<u>-</u>
	<u>\$ 306,348</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, 2016, Local Agency Investment Fund	\$ <u>454,127</u>	\$ <u>454,127</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.

PLUMAS EUREKA COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

4. Capital Assets:

Changes in enterprise capital assets for the year ended June 30, 2016 are as follows:

<u>Water</u>	<u>Balance</u> <u>6/30/2015</u>	<u>Additions/</u> <u>Transfers</u>	<u>Disposals</u>	<u>Balance</u> <u>6/30/2016</u>
Plant	\$1,184,937	\$ 258,261	\$ -	\$1,443,198
General equipment	272,839	6,631	7,461	272,009
Distribution	<u>747,590</u>	<u>6,122</u>	<u>2,013</u>	<u>751,699</u>
	<u>2,205,366</u>	<u>271,014</u>	<u>9,474</u>	<u>2,466,906</u>
 <u>Wastewater</u>				
Plant	2,264,576	-	-	2,264,576
General equipment	192,401	-	6,053	186,348
Collection	393,470	-	-	393,470
Disposal	<u>639,253</u>	<u>-</u>	<u>-</u>	<u>639,253</u>
	<u>3,489,700</u>	<u>-</u>	<u>6,053</u>	<u>3,483,647</u>
	<u>\$5,695,066</u>	<u>\$ 271,014</u>	<u>\$ 15,527</u>	<u>\$5,950,553</u>
 <u>Work in progress</u>				
	<u>Balance</u> <u>6/30/2015</u>	<u>Additions</u>	<u>Transfers</u>	<u>Balance</u> <u>6/30/2016</u>
Arsenic remediation	\$ 505,297	\$ 3,353	\$ 508,650	\$ -
Tertiary treatment impvts.	<u>14,768</u>	<u>-</u>	<u>14,768</u>	<u>-</u>
	<u>\$ 520,065</u>	<u>\$ 3,353</u>	<u>\$ 523,418</u>	<u>\$ -</u>

Changes in governmental capital assets for the year ended June 30, 2016 are as follows:

<u>Fire</u>	<u>Balance</u> <u>6/30/2015</u>	<u>Additions/</u> <u>Transfers</u>	<u>Disposals</u>	<u>Balance</u> <u>6/30/2016</u>
Land and building	\$ 126,115	\$ -	\$ -	\$ 126,115
Vehicles	153,875	-	-	153,875
General equipment	<u>219,107</u>	<u>-</u>	<u>1,651</u>	<u>217,456</u>
	<u>\$ 499,097</u>	<u>\$ -</u>	<u>\$ 1,651</u>	<u>\$ 497,446</u>

PLUMAS EUREKA COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

5. Restricted Cash:

	<u>Water/ Wastewater</u>
LAIF -- Debt service reserve	\$ <u>50,138</u>

6. Long-term Debt:

The following is a summary of the long-term debt activities for the year ended June 30, 2016:

	<u>2015</u>	<u>New Debt Issued</u>	<u>Debt Retired</u>	<u>2016</u>	<u>Current Portion</u>
Sewer Revenue Bond, Series 2006A	\$ 621,600	\$ -	\$ 9,260	\$ 612,340	\$ 9,670
Sewer Revenue Bond, Series 2006B	449,450	-	6,700	442,750	6,990
2008 Private Placement Refunding	<u>214,100</u>	<u>-</u>	<u>31,000</u>	<u>183,100</u>	<u>35,700</u>
	<u>\$1,285,150</u>	<u>\$ -</u>	<u>\$ 46,960</u>	<u>\$1,238,190</u>	<u>\$ 52,360</u>

PLUMAS EUREKA COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

6. Long-term Debt, continued:

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 \$493,850. 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, 2016 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 52,360	\$ 54,471	\$ 106,831
2018	52,590	51,865	104,455
2019	52,740	49,256	101,996
2020	58,040	46,510	104,550
2021	58,270	43,626	101,896
2022-2026	112,610	199,567	312,177
2027-2031	139,470	171,551	311,021
2032-2036	172,790	137,521	310,311
2037-2041	214,020	95,368	309,388
2042-2046	265,130	43,153	308,283
2047	<u>60,170</u>	<u>1,316</u>	<u>61,486</u>
	<u>\$1,238,190</u>	<u>\$ 894,204</u>	<u>\$2,132,394</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

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	<u>Miscellaneous - PEPR</u>	<u>Miscellaneous - Classic</u>
Benefit formula	2% at 57	2% at 55
Benefit vesting schedule	5 years	5 years
Benefit payments	monthly for life	monthly for life
Retirement age	57	55
Required employee contribution rates	6.25%	7.0%
Required employer contribution rates	8.003%	25.273%



PLUMAS EUREKA COMMUNITY SERVICES DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued

7. Defined Benefit Retirement Plan, continued:

**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 the July 1 following notice of a change in the rate. Funding contributions for both 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 any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2016, the contributions recognized as part of pension expense were as follows:

	<u>Miscellaneous</u>
Contributions – employer	\$ 19,188
Contributions – employee	\$ 14,912

A. ***Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:***

As of June 30, 2016, the District reported net pension liability as follows:

Net pension liability	\$ <u>190,415</u>
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The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2015, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. 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.

PLUMAS EUREKA COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

7. Defined Benefit Retirement Plan, continued:

For the year ended June 30, 2016, the District recognized pension expense of \$30,124. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Adjustment due to differences in proportions	\$ -	\$ 5,663
Net differences between projected and actual earnings on pension plan investment	2,930	19,499
Difference between actual and proportionate share	22,370	-
Difference between expected and actual experience	-	13,900
Changes of assumptions	-	27,727
Pension contributions subsequent to measurement date	<u>19,188</u>	<u>-</u>
	<u>\$ 44,488</u>	<u>\$ 66,789</u>

\$19,188 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	
2017	\$( 15,791)
2018	( 15,162)
2019	( 11,269)
2020	733
2021	-
Thereafter	-

PLUMAS EUREKA COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

7. Defined Benefit Retirement Plan, continued:

**Actuarial Assumptions** – The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>
Valuation date	June 30, 2014
Measurement date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
<b>Actuarial Assumptions:</b>	
Discount rate	7.5%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.3%-14.2%
Investment Rate of Return	7.5%

**Discount Rate** – The discount rate used to measure the total pension liability was 7.5% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

PLUMAS EUREKA COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

7. Defined Benefit Retirement Plan, continued:

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

In determining the long-term expected rate of return, 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 returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	<u>2.0%</u>	-0.55%	-1.05%
Total	<u>100%</u>		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

PLUMAS EUREKA COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

7. Defined Benefit Retirement Plan, continued:

***Sensitivity of the 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 for each Plan, calculated using the discount rate for each Plan, as well as what the District’s proportionate share of the net pension 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 rate:

	<u>Miscellaneous</u>
1% Decrease Net Pension Liability	6.65% \$319,339
Current Discount Rate Net Pension Liability	7.65% \$190,415
1% Increase Net Pension Liability	8.65% \$ 83,973

***Pension Plan Fiduciary Net Position*** – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

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 2016 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 Position:

Net position at June 30, 2016 is analyzed as follows:

	<u>Enterprise Fund</u>	<u>Water/ Wastewater</u>
Net investment in capital assets	\$1,063,774	
Restricted:		
Loan reserves		<u>50,188</u>
<u>Unrestricted:</u>		
Designated by Board:		
Plant expansion - water	170,905	
Plant expansion - wastewater	224,712	
Equipment reserve - water		<u>15,000</u>
	410,617	
Undesignated		<u>48,785</u>
		<u>459,402</u>
Total net position	\$1,573,364	

PLUMAS EUREKA COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

10. Equity (Fire):

General fund:

Total fund balances consist of:

Restricted for:

    Feeram reserve

\$ 4,599

Committed for:

    Equipment reserve

5,981

Unassigned:

25,438

\$ 36,018

Statement of Net Position:

Total net position consist of:

Net investment in capital assets

\$ 119,678

Restricted:

    Feeram reserve

4,599

Unrestricted:

    Board designated:

        Equipment reserve

\$ 5,981

Undesignated:

25,438

31,419

\$ 155,696

PLUMAS EUREKA COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

11. Arsenic Treatment Facility:

A new compliance order was issued August 23, 2016 by the State Water Resources Control Board (SWRCB) that required the District to comply with the arsenic standards by November 1, 2017 instead of 2016. The SWRCB issued the order because the California Department of Public Health no longer has authority over drinking water systems in California. The new compliance order also required the District to provide a detailed alternatives analysis by November 1, 2016 and engineering plans and specifications for construction by April 1, 2017 as well as to continue to collect quarterly water samples from a designated compliance point, Well 1B and Well 2 for arsenic analysis.

The District accepted a final Preliminary Engineering Report from Stantec Engineering describing recommended Water System Improvements including alternatives to meeting the arsenic standards. Based on the report and other documentation, the District determined that there were no sources of water that could be used to blend with the current District well water to achieve compliance. Further the Board determined that the Report had limited value for meeting the arsenic standard and retained Farr West Engineering to complete the required alternatives analysis, site selection, environmental work, and assist with final engineering.

12. Subsequent Events:

Management has evaluated subsequent events through October 28, 2016, the date these June 30, 2016 financial statements were available to be issued.

13. 2016 Drought Conditions:

The severe drought conditions affecting California's surface water supplies did not directly affect Plumas Eureka CSD's water supply. Water is supplied by way of groundwater wells. The groundwater aquifer is recharged by the spring thaw of snow in the surrounding mountain areas. The residents were asked during the 2016 irrigation season to follow moderate water conservation efforts due to ongoing drought concerns.



REPORT ON INTERNAL CONTROLS  
AND COMPLIANCE

**ROBERT**

**W.**

**JOHNSON**

**An Accountancy Corporation**

**Certified Public Accountant**

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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*

Independent Auditor's Report

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

We have audited, in accordance with the 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, the financial statements of Plumas Eureka Community Services District as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated October 28, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Plumas Eureka Community Services District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Plumas Eureka Community Services District's financial statements are free from 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 other minor matters that we reported to management of the Plumas Eureka Community Services District in a separate letter dated October 28, 2016.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Robert W. Johnson, An Accountancy Corporation*

Robert W. Johnson, An Accountancy Corporation  
October 28, 2016

SUPPLEMENTAL INFORMATION



Governmental Fund

<u>Fire</u>	<u>Total</u>
\$ -	\$ 239,022
-	227,289
-	129,036
-	51,961
-	18,512
70,237	70,237
-	70,117
<u>1,600</u>	<u>9,700</u>
<u>71,837</u>	<u>815,874</u>
-	88,313
-	24,924
-	66,465
-	11,074
-	132,328
-	21,870
-	239,573
19,662	123,286
103,719	103,719
<u>17,351</u>	<u>17,351</u>
<u>140,732</u>	<u>828,903</u>
<u>( 68,895)</u>	<u>( 13,029)</u>
62	2,122
-	( 56,936)
22,251	22,251
19,589	19,589
1,177	1,177
-	( 250,389)
-	<u>( 14,768)</u>
<u>43,079</u>	<u>( 276,954)</u>
( 25,816)	( 289,983)



Governmental Fund

Fire

\$( 25,816)

-

( 25,816)

181,512

\$ 155,696

Total

\$( 289,983)

-

( 289,983)

2,019,043

\$1,729,060



PLUMAS EUREKA COMMUNITY SERVICES DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET  
 PENSION LIABILITY  
 As of June 30, 2016  
 Last 10 years (1)

	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.00694%	0.00853%
Proportionate share of the net pension liability	\$190,415	\$ 210,830
Covered – employee payroll	\$202,287	\$ 202,287
Proportionate Share of the net pension liability as percentage of covered-employee payroll	94.13%	104.22%
Plan's fiduciary net position	\$444,231	\$ 378,511
Plan fiduciary net position as a percentage of the total pension liability	70.00%	179.53%

Notes to Schedule:

**Change in Benefit Terms:** The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes). Employers that have done so may need to report this information as a separate liability in their financial statement as CalPERS considers such amounts to be separately financed employer-specific liabilities. These employers should consult with their auditors.

Changes in assumptions: None

(1) Fiscal year 2015 was the 1<sup>st</sup> year of implementation, therefore only two years are shown.

PLUMAS EUREKA COMMUNITY SERVICES DISTRICT  
 SCHEDULE OF CONTRIBUTIONS FOR PENSIONS  
 As of June 30, 2016  
 Last 10 years (1)

	2016	2015
Contractually required contribution (actuarially determined)	\$ 41,877	\$ 49,660
Contributions in relation to the actuarially determined contributions	( 51,447)	( 49,660)
Contribution deficiency (excess)	\$( 9,570)	\$ -
Covered – employee payroll	\$202,287	\$202,287
Contributions as a percentage of covered employee payroll	25.43%	24.55%
Notes to Schedule: Valuation date:	6/30/2014	6/30/2013

Methods and assumptions used to determine contribution rates:

Amortization method	Entry Age Normal Cost Method
Remaining amortization period	
Asset valuation method	Market Value
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.5% Net of Pension Plan Investment and Admin. Expenses

(1) Fiscal year 2015 was the 1<sup>st</sup> year of implementation, therefore only two years are shown.



LIABILITIES, DEFERRED INFLOWS  
AND NET POSITION

	<u>Water</u>	<u>Wastewater</u>	<u>Combined</u>
Current liabilities:			
Current portion of long-term debt	\$ -	\$ 52,360	\$ 52,360
Accounts payable	2,930	2,641	5,571
Accrued liabilities	1,164	1,048	2,212
Prepaid revenue	<u>6,312</u>	<u>7,409</u>	<u>13,721</u>
Total current liabilities	<u>10,406</u>	<u>63,458</u>	<u>73,864</u>
Long-term debt, net of current portion	<u>-</u>	<u>1,185,830</u>	<u>1,185,830</u>
Net pension liability	<u>104,728</u>	<u>85,687</u>	<u>190,415</u>
Deferred inflows	<u>36,734</u>	<u>30,055</u>	<u>66,789</u>
Net position:			
Net investment in capital assets	853,766	210,008	1,063,774
Restricted	-	50,188	50,188
Unrestricted	<u>109,455</u>	<u>349,947</u>	<u>459,402</u>
	<u>963,221</u>	<u>610,143</u>	<u>1,573,364</u>
	<u>\$1,115,089</u>	<u>\$1,975,173</u>	<u>\$3,090,262</u>