

**PLUMAS EUREKA
COMMUNITY SERVICES DISTRICT**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
for the year ended June 30, 2014**

ROBERT W. JOHNSON
Certified Public Accountant

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Certified Public Accountant**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, 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 respective financial position of the enterprise activities and the governmental activities of Plumas Eureka Community Services District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance 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.

Other-Matters

Required Supplementary Information

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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2014 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, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Robert W. Johnson, An Account Corporation

Citrus Heights, California
September 22, 2014

PLUMAS EUREKA COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
June 30, 2014

	<u>Enterprise Funds</u>			<u>Governmental</u>	
	<u>Water</u>	<u>Wastewater</u>	<u>Combined</u>	<u>Fund</u>	<u>Total</u>
				<u>Fire</u>	
ASSETS					
Current assets:					
Cash – checking	\$(25,846)	\$ 65,155	\$ 39,309	\$ 61,272	\$ 100,581
– County	-	-	-	1,194	1,194
– LAIF	10,000	11	10,011	10,134	20,145
Interest receivable	104	138	242	6	248
Accounts receivable	5,791	22,270	28,061	2,570	30,631
Prepaid expense	1,654	1,870	3,524	3,669	7,193
Due from other funds	<u>7,736</u>	<u>30,900</u>	<u>38,636</u>	<u>-</u>	<u>38,636</u>
Total current assets	<u>(561)</u>	<u>120,344</u>	<u>119,783</u>	<u>78,845</u>	<u>198,628</u>
Capital assets,					
at cost (Notes 4 and 6):	2,170,483	3,489,700	5,660,183	499,097	6,159,280
Less accumulated depreciation	<u>1,549,916</u>	<u>1,913,283</u>	<u>3,463,199</u>	<u>339,478</u>	<u>3,802,677</u>
	620,567	1,576,417	2,196,984	159,619	2,356,603
Work in progress	<u>479,806</u>	<u>-</u>	<u>479,806</u>	<u>-</u>	<u>479,806</u>
	<u>1,100,373</u>	<u>1,576,417</u>	<u>2,676,790</u>	<u>159,619</u>	<u>2,836,409</u>
Restricted cash (Note 5)	<u>167,093</u>	<u>370,216</u>	<u>537,309</u>	<u>6,031</u>	<u>543,340</u>
	<u>\$1,266,905</u>	<u>\$2,066,977</u>	<u>\$3,333,882</u>	<u>\$ 244,495</u>	<u>\$3,578,377</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>	
LIABILITIES AND NET POSITION					
Current liabilities:					
Current portion of long-term debt (Note 6)	\$ -	\$ 46,690	\$ 46,690	\$ -	\$ 46,690
Accounts payable	23,029	7,557	30,586	2,598	33,184
Accrued liabilities	-	-	-	-	-
Due to other funds	-	-	-	38,636	38,636
Total current liabilities	<u>23,029</u>	<u>54,247</u>	<u>77,276</u>	<u>41,234</u>	<u>118,510</u>
Long-term debt, net of current portion (Note 6)	<u>-</u>	<u>1,285,150</u>	<u>1,285,150</u>	<u>-</u>	<u>1,285,150</u>
Net position (Notes 9 and 10):					
Net investment in capital assets	1,100,373	244,577	1,344,950	159,619	1,504,569
Restricted	-	57,557	57,557	(833)	56,724
Unrestricted	<u>143,503</u>	<u>425,446</u>	<u>568,949</u>	<u>44,475</u>	<u>613,424</u>
	<u>1,243,876</u>	<u>727,580</u>	<u>1,971,456</u>	<u>203,261</u>	<u>2,174,717</u>
	<u>\$1,266,905</u>	<u>\$2,066,977</u>	<u>\$3,333,882</u>	<u>\$ 244,495</u>	<u>\$3,578,377</u>

PLUMAS EUREKA COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
for the year ended June 30, 2014

<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>130,167</u>	\$ <u>76,822</u>	\$ <u>-</u>
Total governmental activities	<u>130,167</u>	<u>76,822</u>	<u>-</u>
Business-type activities:			
Water	322,869	338,735	-
Wastewater	<u>379,144</u>	<u>402,401</u>	<u>-</u>
Total business-type activities	<u>702,013</u>	<u>741,136</u>	<u>-</u>
Total primary government	\$ <u>832,180</u>	\$ <u>817,958</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>
\$(53,345)		\$(53,345)
(53,345)		(53,345)
-	\$ 15,866	15,866
<u>-</u>	<u>23,257</u>	<u>23,257</u>
<u>-</u>	<u>39,123</u>	<u>39,123</u>
(53,345)	<u>39,123</u>	(14,222)
27,205	-	27,205
50	1,163	1,213
<u>31,495</u>	<u>-</u>	<u>31,495</u>
<u>58,750</u>	<u>1,163</u>	<u>59,913</u>
5,405	40,286	45,691
<u>197,856</u>	<u>1,931,170</u>	<u>2,129,026</u>
<u>\$ 203,261</u>	<u>\$1,971,456</u>	<u>\$2,174,717</u>

PLUMAS EUREKA COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS – ENTERPRISE FUND
for the year ended June 30, 2014

	Enterprise Funds		
	Water	Wastewater	Total
Cash flows from operating activities:			
Receipts from customers	\$ 339,347	\$ 397,109	\$ 736,456
Payment to suppliers	(185,148)	(172,131)	(357,279)
Payment to employees	(97,062)	(78,060)	(175,122)
Net cash provided by operating activities	<u>57,137</u>	<u>146,918</u>	<u>204,055</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	(115,509)	(8,239)	(123,748)
Principal paid on capital debt	-	(41,350)	(41,350)
Interest paid on capital debt	<u>-</u>	<u>(61,623)</u>	<u>(61,623)</u>
	<u>(115,509)</u>	<u>(111,212)</u>	<u>(226,721)</u>
Cash flows from investing activities:			
Interest income	<u>453</u>	<u>710</u>	<u>1,163</u>
Net increase (decrease) in cash and cash equivalents	(57,919)	36,416	(21,503)
Cash and cash equivalents:			
Beginning of year	<u>209,166</u>	<u>398,966</u>	<u>608,132</u>
End of year	<u>\$ 151,247</u>	<u>\$ 435,382</u>	<u>\$ 586,629</u>

See notes to financial statements

PLUMAS EUREKA COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS – ENTERPRISE FUND, continued
for the year ended June 30, 2014

	Enterprise Funds		
	Water	Wastewater	Total
Reconciliation of operating income (loss) to cash provided by operating activities:			
Operating income (loss)	\$ <u>15,866</u>	\$ <u>84,880</u>	\$ <u>100,746</u>
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	31,751	64,584	96,335
Changes in operating assets and liabilities:			
Receivables	508	(5,430)	(4,922)
Prepaid expense	(90)	(103)	(193)
Interfund balances	-	-	-
Payables	<u>9,102</u>	<u>2,987</u>	<u>12,089</u>
	<u>41,271</u>	<u>62,038</u>	<u>103,309</u>
Net cash provided by operating activities	\$ <u><u>57,137</u></u>	\$ <u><u>146,918</u></u>	\$ <u><u>204,055</u></u>
Supplementary information:			
Cash paid for interest	\$ <u><u>-</u></u>	\$ <u><u>61,623</u></u>	\$ <u><u>61,623</u></u>

See notes to financial statements

PLUMAS EUREKA COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL
FUND BALANCE SHEET – FIRE DEPARTMENT
June 30, 2014

ASSETS	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Cash - checking	\$ 62,466	\$ -	\$ 62,466
- savings	-	-	-
- LAIF	10,134	-	10,134
Interest receivable	6	-	6
Accounts receivable	2,570	-	2,570
Prepaid expense	3,669	-	3,669
Restricted cash (Note 5)	6,031	-	6,031
Capital assets (Note 4 and 6)	-	499,097	499,097
Less, accumulated depreciation	<u>-</u>	<u>(339,478)</u>	<u>(339,478)</u>
	<u>\$ 84,876</u>	<u>\$ 159,619</u>	<u>\$ 244,495</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 2,598	\$ -	\$ 2,598
Due to other funds	<u>38,636</u>	<u>-</u>	<u>38,636</u>
Total liabilities	<u>41,234</u>	<u>-</u>	<u>41,234</u>
FUND BALANCES/NET POSITION			
Fund balances (Note 10):			
Restricted	(833)	833	-
Committed	6,864	(6,864)	-
Unassigned	<u>37,611</u>	<u>(37,611)</u>	<u>-</u>
Total fund balances	<u>43,642</u>	<u>(43,642)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 84,876</u>		
Net assets (Note 10):			
Net investment in capital assets		159,619	159,619
Restricted		(833)	(833)
Unrestricted		<u>44,475</u>	<u>44,475</u>
Total net position		<u>\$ 159,619</u>	<u>\$ 203,261</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, 2014

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Program expenditures/expenses:			
Public protection	\$ 90,101	\$ -	\$ 90,101
Support services	11,724	-	11,724
Capital outlay	8,226	(8,226)	-
Depreciation	<u>-</u>	<u>28,342</u>	<u>28,342</u>
Total program expenditures/expenses	<u>110,051</u>	<u>20,116</u>	<u>130,167</u>
Program revenues:			
Charges for services	-	-	-
Assessments	<u>68,322</u>	<u>-</u>	<u>68,322</u>
Total program revenues	<u>68,322</u>	<u>-</u>	<u>68,322</u>
General revenues:			
Property taxes	27,205	-	27,205
Interest income	50	-	50
Other	2,455	-	2,455
Donations	5,430	-	5,430
ERAF reimbursement	8,500	-	8,500
Feeram/mitigation	<u>23,610</u>	<u>-</u>	<u>23,610</u>
Total general revenues	<u>67,250</u>	<u>-</u>	<u>67,250</u>
Excess of revenues over expenditures/ change in net position	25,521	(20,116)	5,405
Beginning fund balances/net position	<u>18,121</u>	<u>179,735</u>	<u>197,856</u>
Ending fund balances/net position	\$ <u>43,642</u>	\$ <u>159,619</u>	\$ <u>203,261</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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Revenues:			
Assessments	\$ 70,187	\$ 68,322	\$(1,865)
Property taxes	27,000	27,205	205
Interest income	200	50	(150)
Other	1,000	2,455	1,455
Donations	-	5,430	5,430
ERAF reimbursement	8,500	8,500	-
Feeram/mitigation	-	23,610	23,610
AR revenue loss	(1,250)	-	1,250
 Total revenues	 <u>105,637</u>	 <u>135,572</u>	 <u>29,935</u>
 Expenditures:			
Wages/contract labor	44,282	23,834	20,448
Employee benefits	13,523	13,899	(376)
Payroll taxes	1,019	3,027	(2,008)
WC comp.	5,643	3,809	1,834
Safety and training	5,479	2,573	2,906
Electricity	1,000	1,135	(135)
Fuel	3,610	2,911	699
Insurance	15,000	12,920	2,080
Feeram expense	12,156	17,562	(5,406)
Maintenance	1,350	1,715	(365)
Office and telephone	4,630	4,907	(277)
Supplies and tools	2,500	1,233	1,267
Accounting	3,175	3,282	(107)
Legal	250	769	(519)
Professional services	2,500	1,631	869
Equipment and building	10,500	8,226	2,274
Other costs	1,649	6,618	(4,969)
Operational contingency	-	-	-
 Total expenditures	 <u>128,266</u>	 <u>110,051</u>	 <u>18,215</u>
 Excess of revenues over (expenditures) (carried forward)	 (22,629)	 25,521	 48,150

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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Excess of revenues over (expenditures) (brought forward)	\$(<u>22,629</u>)	\$ 25,521	\$ <u>48,150</u>
Fund balance:			
Beginning		<u>18,121</u>	
Ending		\$ <u>43,642</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.

3. Cash and Investments:

At year-end the carrying amount of the District's deposits in a bank was \$213,864 and the bank balance was \$214,343. 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>2014</u>
Cash in checking	\$ 212,670
County cash	<u>1,194</u>
	<u>\$ 213,864</u>
 <u>Allocated:</u>	
Operations	\$ 101,775
Restricted	<u>112,089</u>
	<u>\$ 213,864</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, 2014, Local Agency Investment Fund	\$ <u>451,396</u>	\$ <u>451,396</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, 2014 are as follows:

<u>Water</u>	<u>Balance 6/30/2013</u>	<u>Additions/ Transfers</u>	<u>Disposals</u>	<u>Balance 6/30/2014</u>
Plant	\$1,150,054	\$ -	\$ -	\$1,150,054
General equipment	214,484	58,355	-	272,839
Distribution	<u>747,590</u>	<u>-</u>	<u>-</u>	<u>747,590</u>
	<u>\$2,112,128</u>	<u>\$ 58,355</u>	<u>\$ -</u>	<u>\$2,170,483</u>

PLUMAS EUREKA COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

4. Capital Assets, continued:

<u>Work in progress - water</u>	Balance <u>6/30/2013</u>	<u>Additions</u>	<u>Transfers</u>	Balance <u>6/30/2014</u>
Well capacity study	\$ <u>422,652</u>	\$ <u>57,154</u>	\$ <u>-</u>	\$ <u>479,806</u>
<u>Wastewater</u>	Balance <u>6/30/2013</u>	<u>Additions/ Transfers</u>	<u>Disposals</u>	Balance <u>6/30/2014</u>
Plant	\$2,264,576	\$ -	\$ -	\$2,264,576
General equipment	184,162	8,239	-	192,401
Collection	393,470	-	-	393,470
Disposal	<u>639,253</u>	<u>-</u>	<u>-</u>	<u>639,253</u>
	<u>\$3,481,461</u>	<u>\$ 8,239</u>	<u>\$ -</u>	<u>\$3,489,700</u>

Changes in governmental capital assets for the year ended June 30, 2014 are as follows:

<u>Fire</u>	Balance <u>6/30/2013</u>	<u>Additions/ Transfers</u>	<u>Disposals</u>	Balance <u>6/30/2014</u>
Land and building	\$ 118,739	\$ 7,376	\$ -	\$ 126,115
Vehicles	153,875	-	-	153,875
General equipment	<u>218,257</u>	<u>850</u>	<u>-</u>	<u>219,107</u>
	<u>\$ 490,871</u>	<u>\$ 8,226</u>	<u>\$ -</u>	<u>\$ 499,097</u>

PLUMAS EUREKA COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

5. Restricted Cash:

	<u>Water</u>	<u>Wastewater</u>	<u>Fire</u>
Checking – hookup fees	\$(31,312)	\$ -	\$ -
– reserve set aside	-	88,535	-
– improvement district	-	57,557	-
– Feeram	-	-	(2,691)
LAIF – water/wastewater reserve	170,405	224,124	-
– Feeram	-	-	1,858
– equipment and maint. reserves	28,000	-	6,864
	<u>\$ 167,093</u>	<u>\$ 370,216</u>	<u>\$ 6,031</u>

6. Long-term Debt:

The following is a summary of the long-term debt activities for the year ended June 30, 2014:

	<u>2013</u>	<u>New Debt Issued</u>	<u>Debt Retired</u>	<u>2014</u>	<u>Current Portion</u>
Sewer Revenue					
Bond, Series 2006A	\$ 638,970	\$ -	\$ 8,500	\$ 630,470	\$ 8,870
Sewer Revenue					
Bond, Series 2006B	462,020	-	6,150	455,870	6,420
2008 Private Placement					
Refunding	272,200	-	26,700	245,500	31,400
	<u>\$1,373,190</u>	<u>\$ -</u>	<u>\$ 41,350</u>	<u>\$1,331,840</u>	<u>\$ 46,690</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 \$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, 2014 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 46,960	\$ 59,257	\$ 105,947
2016	46,690	56,936	103,896
2017	52,360	54,471	106,831
2018	52,590	51,865	104,455
2019	52,740	49,256	101,996
2020-2024	180,960	213,070	394,030
2025-2029	128,030	183,249	311,279
2030-2034	158,610	152,013	310,623
2035-2039	196,470	113,319	309,789
2040-2044	243,360	65,389	308,749
2045-2047	<u>173,070</u>	<u>11,573</u>	<u>184,643</u>
	<u>\$1,331,840</u>	<u>\$1,010,398</u>	<u>\$2,342,238</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 2011/12 was 22.892%, for 2012/13 was 23.349%, and for 2013/14 was 24.243%. 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, 2014, 2013 and 2012 were \$49,682, \$50,016 and \$40,124 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 2014 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, 2014 is analyzed as follows:

	<u>Enterprise Funds</u>		<u>Governmental Fund</u>
	<u>Water</u>	<u>Wastewater</u>	<u>Fire</u>
Net investment in capital assets	\$ <u>1,100,373</u>	\$ <u>244,577</u>	\$ <u>159,619</u>
Restricted:			
Loan reserves	-	57,557	-
Feeram reserve	<u>-</u>	<u>-</u>	<u>(833)</u>
	<u>-</u>	<u>57,557</u>	<u>(833)</u>
<u>Unrestricted:</u>			
Designated by Board:			
Road maintenance	15,000	-	-
Plant expansion	170,405	224,124	-
Equipment reserve	<u>(18,312)</u>	<u>88,535</u>	<u>6,864</u>
	167,093	312,659	6,864
Undesignated	<u>(23,590)</u>	<u>112,787</u>	<u>37,611</u>
	<u>143,503</u>	<u>425,446</u>	<u>44,475</u>
Total net position	\$ <u>1,243,876</u>	\$ <u>727,580</u>	\$ <u>203,261</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	\$(833)
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Committed for:

Equipment reserve	6,864
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Unassigned:

37,611

\$ 43,642

Statement of Net Position:

Total net position consist of:

Net investment in capital assets	\$ 159,619
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Restricted:

Feeram reserve	(833)
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Unrestricted:

Board designated:	
Equipment reserve	\$ 6,864

Undesignated:	<u>37,611</u>
---------------	---------------

44,475

\$ 203,261

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 by November 2016. 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. In May 2014, a Final Engineering Report was completed that described what alternative ways are available to achieve compliance. The District selected one of the identified projects and submitted the information to CDPH on July 31, 2014 for approval. No final decision from CDPH had been received by the writing of this report.

12. Subsequent Events:

Management has evaluated subsequent events through September 22, 2014, the date these June 30, 2014 financial statements were available to be issued.

13. New Pronouncements:

In June 2012, the GASB approved Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement requires governments providing defined benefit pension plans to recognize their long-term obligation for pension benefits as a liability on the statement of net position and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement also requires revised and new note disclosures and required supplementary information (RSI) to be reported by employers. The implementation of this GASB Statement will have a significant impact on the District's financial statements and is effective for the District's June 30, 2015 financial statements.

PLUMAS EUREKA COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

14. 2014 Drought Conditions:

The severe drought conditions affecting California's surface water supplies does 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 2014 irrigation season to follow stricter water conservation efforts due to the extremely low snow pack in 2013 and 2014. The General Manager is revising an existing water conservation ordinance that will expand the Board of Directors authority to impose stricter water conservation efforts by the residents in case 2015 also is a low snow pack year. The revised water conservation ordinance is projected to be in place for the 2015 irrigation season.

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*

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, 2014, and the related notes to the financial statements, and have issued our report thereon dated September 22, 2014.

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 September 22, 2014.

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
September 22, 2014

SUPPLEMENTAL INFORMATION

PLUMAS EUREKA COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION - DETAILED
for the year ended June 30, 2014

	Enterprise Funds		
	Water	Wastewater	Combined
Operating revenues:			
Water sales	\$ 238,640	\$ -	\$ 238,640
Service income	-	229,835	229,835
Reserve income	96,195	49,973	146,168
Bond debt fee	-	51,722	51,722
Hook-up fees	2,084	-	2,084
Assessments	-	-	-
Bond levy	-	69,985	69,985
Other	1,816	886	2,702
Total operating revenues	<u>338,735</u>	<u>402,401</u>	<u>741,136</u>
Operating expenses:			
Pumping	83,551	-	83,551
Water treatment	23,580	-	23,580
Transmission and distribution	62,881	-	62,881
Collection	-	10,117	10,117
Sewage treatment	-	120,904	120,904
Disposal	-	19,982	19,982
Administration and general	121,106	101,934	223,040
Depreciation	31,751	64,584	96,335
Public protection	-	-	-
Support services	-	-	-
Total operating expenses	<u>322,869</u>	<u>317,521</u>	<u>640,390</u>
Operating income (loss)	<u>15,866</u>	<u>84,880</u>	<u>100,746</u>
Non-operating revenues (expenses):			
Interest income	453	710	1,163
Interest expense	-	(61,623)	(61,623)
Property taxes	-	-	-
Feeram/mitigation	-	-	-
Other revenues	-	-	-
	<u>453</u>	<u>(60,913)</u>	<u>(60,460)</u>
Income (loss) before contributions (carried forward)	16,319	23,967	40,286

Governmental Fund

<u>Fire</u>	<u>Total</u>
\$ -	\$ 238,640
-	229,835
-	146,168
-	51,722
-	2,084
68,322	68,322
-	69,985
<u>8,500</u>	<u>11,202</u>
<u>76,822</u>	<u>817,958</u>
-	83,551
-	23,580
-	62,881
-	10,117
-	120,904
-	19,982
-	223,040
28,342	124,677
90,101	90,101
<u>11,724</u>	<u>11,724</u>
<u>130,167</u>	<u>770,557</u>
(<u>53,345</u>)	<u>47,401</u>
50	1,213
-	(61,623)
27,205	27,205
23,610	23,610
<u>7,885</u>	<u>7,885</u>
<u>58,750</u>	(<u>1,710</u>)
5,405	45,691

PLUMAS EUREKA COMMUNITY SERVICES DISTRICT
 STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION - DETAILED, continued
 for the year ended June 30, 2014

	Enterprise Funds		
	Water	Wastewater	Combined
Income (loss) before contributions (brought forward)	\$ 16,319	\$ 23,967	\$ 40,286
Capital contributions	-	-	-
Changes in net position	16,319	23,967	40,286
Total net position:			
Beginning	<u>1,227,557</u>	<u>703,613</u>	<u>1,931,170</u>
Ending	<u>\$1,243,876</u>	<u>\$ 727,580</u>	<u>\$1,971,456</u>

Governmental Fund

<u>Fire</u>	<u>Total</u>
\$ 5,405	\$ 45,691
<u>-</u>	<u>-</u>
5,405	45,691
<u>197,856</u>	<u>2,129,026</u>
<u>\$ 203,261</u>	<u>\$2,174,717</u>