

ESPARTO COMMUNITY SERVICE DISTRICT
REPORT ON AUDIT
Years Ended June 30, 2000 and 1999

ESPARTO COMMUNITY SERVICE DISTRICT

Financial Statements

Years Ended June 30, 2000 and 1999

CONTENTS

	Page
Independent Auditor's Report	1
Financial Statements:	
Balance Sheets	2
Statements of Revenues, Expenses and Retained Earnings	3
Statements of Cash Flows	4
Notes to the Financial Statements	5



CERTIFIED PUBLIC ACCOUNTANTS

John Perry, CPA
Gary Bunch, CPA
Marc Battaglia, CPA
Rick Johnston, CPA

PERRY, BUNCH & BATTAGLIA, INC.

350 Court Street • Woodland, California 95695
Phone: (530) 662-3251 • FAX: (530) 662-4600
www.pbbcpas.com

To the Board of Directors
Esparto Community Service District
Dixon, California

Independent Auditor's Report

We have audited the accompanying balance sheets of Esparto Community Service District as of June 30, 2000 and 1999 and the related statements of revenues, expenses and retained earnings and cash flows for the years then ended. 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.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Esparto Community Service District at June 30, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Perry Bunch & Battaglia

Woodland, California
June 29, 2001

ESPARTO COMMUNITY SERVICE DISTRICT

Balance Sheets
June 30, 2000 and 1999

A S S E T S

	<u>2000</u>	<u>1999</u>
CURRENT ASSETS:		
Cash	\$ 355,359	\$ 561,938
Restricted cash	40,074	10,741
Total Cash	395,433	572,679
Accounts receivable	3,615	3,080
Deposits with others	1,562	1,562
Property, plant and equipment, net of accumulated depreciation and amortization of \$363,216 and \$343,262	942,098	681,413
Total Current Assets	<u>\$ 1,342,708</u>	<u>\$ 1,258,734</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 9,166	\$ 12,471
Accrued expenses	2,375	2,992
Deferred revenue	40,259	13,480
Current portion of capital lease obligation	999	909
Accrued compensation	10,253	11,451
Total Current Liabilities	63,052	41,303
Capital lease obligation	2,201	3,200
Total Liabilities	<u>65,253</u>	<u>44,503</u>
EQUITY:		
Contributed capital	390,993	390,993
Retained earnings	886,462	823,238
Total Equity	<u>1,277,455</u>	<u>1,214,231</u>
Total Liabilities and Equity	<u>\$ 1,342,708</u>	<u>\$ 1,258,734</u>

See accompanying notes.

ESPARTO COMMUNITY SERVICE DISTRICT
Statements of Revenues, Expenses and Retained Earnings
For the Years Ended June 30, 2000 and 1999

	<u>2000</u>	<u>1999</u>
OPERATING REVENUES:		
Charges and user fees	\$ 238,748	\$ 227,499
Other charges	4,305	5,623
Total Operating Revenues	<u>243,053</u>	<u>233,122</u>
OPERATING EXPENSES:		
Salaries and benefits	102,071	105,984
Services and supplies	105,044	146,722
Depreciation	19,954	27,714
Total Operating Expenses	<u>227,069</u>	<u>280,420</u>
Operating Income (Loss)	<u>15,984</u>	<u>(47,298)</u>
OTHER REVENUES AND (EXPENSES):		
Property tax revenues	22,876	22,292
Other government aid	1,963	1,549
Interest earned	16,152	29,728
Development fees	-	5,410
Other	6,249	4,636
Total Other Revenues and (Expenses)	<u>47,240</u>	<u>63,615</u>
Net Income	63,224	16,317
Add: Retained Earnings, Beginning of Year	<u>823,238</u>	<u>806,921</u>
Retained Earnings, End of Year	<u><u>\$ 886,462</u></u>	<u><u>\$ 823,238</u></u>

See accompanying notes.

ESPARTO COMMUNITY SERVICE DISTRICT
Statements of Cash Flows
For the Years Ended June 30, 2000 and 1999

	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income (loss)	\$ 15,984	\$ (47,298)
Items in net income not affecting cash:		
Depreciation	19,954	27,714
Decrease (increase) in assets:		
Accounts receivable	(535)	1,713
Deposits	-	1,502
Increase (decrease) in liabilities:		
Accounts payable	(3,305)	1,039
Accrued expenses	(617)	953
Changes in liability for compensated absences	(1,198)	3,861
Deferred revenue	26,779	6,359
	57,062	(4,157)
Net Cash Provided by (Used in) Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	16,152	29,728
	16,152	29,728
Net Cash Provided by Investing Activities		
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Property taxes received	22,876	22,292
Payments received from other governments	1,963	1,549
Other	6,249	4,636
	31,088	28,477
Net Cash Provided by Noncapital Financing Activities		
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Fees received from developers	-	5,410
Payment on capital lease	(909)	(826)
Purchase of property, plant and equipment	(280,639)	(177,301)
	(281,548)	(172,717)
Net Cash Used in Capital Financing Activities		
Decrease in cash and cash equivalents	(177,246)	(118,669)
Cash and Cash Equivalents at Beginning of Year	572,679	691,348
Cash and Cash Equivalents at End of Year	\$ 395,433	\$ 572,679

See accompanying notes.

ESPARTO COMMUNITY SERVICE DISTRICT

Notes to the Financial Statements

Years Ended June 30, 2000 and 1999

Note 1 ACCOUNTING POLICIES:

NATURE OF ACTIVITIES:

The Esparto Community Service District was established on August 18, 1969 to replace the Esparto Sanitary Service District and the Yolo Water Works District No 1. The District operates under Section 61000 et seq. of the California State Government Code. The District is located in the western section of Yolo County, and provides water, sewer and waste disposal, and lighting service to the community of Esparto and surrounding areas. The District is governed by a five member Board of Directors who are elected by voters living within the District's boundaries.

METHOD OF ACCOUNTING:

The accounts of the District are organized and operated on the basis of funds and account groups. Fund accounting is designed to demonstrate legal compliance and aid financial management by segregating transactions related to certain government functions or activities.

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

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types" .

The District uses an enterprise fund, which is a type of proprietary fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private enterprises, where the intent is that costs of providing goods or service to the general public on a continuing basis be financed or recovered primarily through user charges.

BASIS OF ACCOUNTING:

The full accrual basis of accounting is used by enterprise fund. Under the full accrual basis of accounting, revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the accounting period in which they are incurred.

PROPERTY TAXES:

Yolo County, through the Auditor-Controller's Office and the Treasurer-Tax Collector, is responsible for collecting and distributing property taxes according to the alternative method of distribution known as the Teeter Plan. Under the Teeter Plan, the current year's secured property tax levy is distributed to participating agencies within the County without consideration of delinquency factors. The District recognizes property taxes as revenue when they are distributed by the County.

ESPARTO COMMUNITY SERVICE DISTRICT
Notes to the Financial Statements
Years Ended June 30, 2000 and 1999

Note 1 **ACCOUNTING POLICIES:** (Continued)

CASH:

For purposes of the Statement of Cash Flows, the total of restricted and unrestricted cash comprises cash and cash equivalents.

ACCOUNTS RECEIVABLE:

Accounts receivable are recorded at their gross value and, where appropriate, are reduced by the portion that is considered uncollectible. Accounts receivable consists primarily of service fees that have been billed but not paid as of year-end.

PROPERTY, PLANT AND EQUIPMENT:

All fixed assets, including infrastructure, are capitalized by the District. Purchased fixed assets are stated at cost. Donated fixed assets are valued at their estimated fair market value. Depreciation of exhaustible fixed assets is charged as an expense against operations. Fixed assets of the District are reported in the balance sheet net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the fixed assets as follows:

Water and sewer lines	50 to 75 years
Structures and improvements	5 to 50 years
Equipment and vehicles	5 to 25 years

COMPENSATED ABSENCES:

The District allows its employees to accumulate up to 280 hours of vacation and sick leave. Any accumulated vacation and sick leave is paid-out to employees at their most recent rate of pay upon termination. The District records a liability for compensated absences based upon total accumulated vacation and sick leave hours.

RETAINED EARNINGS:

The unreserved portion of the District's retained earnings represents the net assets available for future operations or distribution. Reserves or restrictions of retained earnings represent that portion of net assets that are not available for future expenditures, or are legally segregated for a specific future use.

Note 2 **ACCOUNTS AND RECORDS:**

Records of the District's transactions are maintained by the Auditor-Controller of Yolo County. The District's property tax revenues are collected by the Yolo County Treasurer. The District's fees for water and sanitation services are collected by District personnel, and subsequently deposited in the County Treasury. Claims for expenditures are submitted by the District to the Yolo County Auditor-Controller's Office for processing and payment.

ESPARTO COMMUNITY SERVICE DISTRICT

Notes to the Financial Statements
Years Ended June 30, 2000 and 1999

Note 3 **CASH:**

A non-interest bearing checking account is used by the District as a temporary depository for user fees collected. A check is written from this bank account at least monthly, and the funds are deposited in the County Treasury. As of June 30, 2000 and June 30, 1999, the outside checking account had a balance of \$21,892 and \$22,399, respectively. The District's balances in the outside checking account, up to \$100,000, are insured by the Federal Deposit Insurance Corporation.

All of the District's cash is ultimately deposited in the County Treasury. The County maintains a cash and investment pool that is available to all funds for which the County Treasury is the depository, for the purpose of increasing interest earnings through investment activities. In accordance with the requirements of the California State Government Code, a Treasury Oversight Committee has been formed to provide oversight for the County's investment policy, and arranges for the annual audit of the cash and investment pool. Copies of the Treasurer-Tax Collector's monthly reports and the annual audit report can be obtained from the Treasurer-Tax Collector's Office.

The District's cash and investments are stated at fair market value at June 30, 2000 and June 30, 1999. The fair market value of the District's position in the pool is the same as the value of its pool shares. Interest earned on the pooled funds is accrued and apportioned quarterly, based upon the average daily balance of each fund.

Note 4 **RESTRICTED CASH:**

The balances in restricted cash are comprised of the following at June 30, 2000 and June 30, 1999:

	<u>2000</u>	<u>1999</u>
Developer fees	\$ 39,765	\$ 10,447
Restricted for land purchase	309	294
	<u>\$ 40,074</u>	<u>\$ 10,741</u>

Developer deposits are to be used for equipment and infrastructure improvements necessitated by the construction of new homes. The developer fees and related interest earnings are legally restricted, and must be returned to the developers if not used (or designated for a specific use) within five years of receipt. Developer fees are recorded as deferred revenue at time of receipt. Revenue is not recorded until developer fees are actually spent by the District.

ESPARTO COMMUNITY SERVICE DISTRICT
Notes to the Financial Statements
Years Ended June 30, 2000 and 1999

Note 5 **PROPERTY, PLANT AND EQUIPMENT:**

The District's property, plant and equipment at June 30, 1999 is summarized below:

	June 30, 1998	Additions	Dispositions	June 30, 1999
Land	\$ 36,050	\$ 3,607	\$ -	\$ 39,657
Structures and improvements	710,149	173,694	-	883,843
Equipment	101,175	-	-	101,175
	847,374	177,301	-	1,024,675
Accumulated depreciation	315,548	27,714	-	343,262
Net Book Value	<u>\$ 531,826</u>	<u>\$ 149,587</u>	<u>\$ -</u>	<u>\$ 681,413</u>

The District's property, plant and equipment at June 30, 2000 is summarized below:

	June 30, 1999	Additions	Dispositions	June 30, 2000
Land	\$ 39,657	\$ 247,818	\$ -	\$ 287,475
Structures and improvements	883,843	32,821	-	916,664
Equipment	101,175	-	-	101,175
	1,024,675	280,639	-	1,305,314
Accumulated depreciation	343,262	19,954	-	363,216
Net Book Value	<u>\$ 681,413</u>	<u>\$ 260,685</u>	<u>\$ -</u>	<u>\$ 942,098</u>

Note 6 **CAPITAL LEASE:**

The District leased a copier in late fiscal year 1998 under a lease agreement classified as a capital lease. The asset and related obligation have been recorded using the interest rate implicit in the lease. The lease expires in 2003. The cost of the copier is \$5,000. Total amortization expense as of June 30, 2000 and 1999 was \$500 per year.

Future minimum lease payments under capital leases together with the present value of minimum lease payments as of June 30, 2000 are as follows:

<u>Fiscal Year Ending June 30,</u>	
2000	\$ 1,261
2001	1,261
2002	1,261
2003	<u>1,157</u>
Total minimum lease payments	4,940
Amount representing interest	<u>831</u>
Present value of net minimum lease payments	<u>\$ 4,109</u>

ESPARTO COMMUNITY SERVICE DISTRICT

Notes to the Financial Statements

Years Ended June 30, 2000 and 1999

Note 7 **DEFINED BENEFIT PENSION PLAN:**

PLAN DESCRIPTION:

The District's defined benefit pension plan, Esparto Community Service District Pension Plan, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Esparto Community Service District Pension Plan is part of the Public Agencies portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. The District selects optional benefits provisions from the benefit menu by contract with CalPERS.

The District's contributions to PERS are made on behalf of its own permanent employees, and the permanent employees it shares with the Esparto Fire Protection District. The Esparto Fire Protection District is charged for the portion of the PERS contribution that relates to its payroll for the covered employees.

Under the option the District has selected, all full and part-time permanent District and Esparto Fire Protection District employees and extra help employees who have worked over 1,000 hours in a fiscal year are required to participate in the Esparto Community Service District Pension Plan. Per diem employees and extra help employees working less than 1,000 hours in a fiscal year are excluded. Benefits vest after five years of service. To be eligible for retirement, an employee must be at least 50 years of age and have five years of PERS credited service. Employees who retire at age 60 with five years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2% of their average monthly pay rate for the last consecutive 36 months of employment, for each year of credited service up to 37½ years.

CalPERS issues separate comprehensive annual financial reports. Copies of the CalPERS' annual report may be obtained from CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

FUNDING POLICY:

Active plan members in the Esparto Community Service District Pension Plan are required to contribute 7% of their annual salary. The employee contributions are paid for by the employee. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The contribution requirements of the plan members are established by State statute and the employer's contribution rate is established and may be amended by CalPERS.

ESPARTO COMMUNITY SERVICE DISTRICT

Notes to the Financial Statements
Years Ended June 30, 2000 and 1999

Note 7 **DEFINED BENEFIT PENSION PLAN: (Continued)**

ANNUAL PENSION COST:

For fiscal years 2000 and 1999, the District's annual pension cost was \$8,013 and \$15,269, respectively. The required contributions for fiscal years 2000 and 1999 were determined as part of the June 30, 1999 actuarial valuation using the entry age normal actuarial cost method with contributions determined as a percent of pay. The actuarial assumptions including (a) 8.25% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.75% to 14.20%. Both (a) and (b) include an inflation component of 3.5%. The actuarial value of the Esparto Community Service District Pension Plan's assets were determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two to five year period depending on the size of investment gains and/or losses. Esparto Community Service District Pension Plan's unfunded actuarial accrued liability (or excess asset) is being amortized as a level percentage of projected payroll on a closed basis. The amortization period at June 30, 1999 was 6 years.

THREE YEAR TREND INFORMATION FOR THE ESPARTO COMMUNITY SERVICE DISTRICT PENSION PLAN:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
1997	\$ 12,568	100%	\$ -
1998	29,948	100%	-
1999	19,965	100%	-

REQUIRED SUPPLEMENTARY INFORMATION:

The most recent actuarial valuation date is June 30, 1999. The required supplementary information for fiscal year 1999, along with the preceding two years, is as follows:

<u>Valuation</u> <u>Date</u>	<u>Entry Age</u> <u>Normal</u> <u>Accrued</u> <u>Liability</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u>	<u>Underfunded/</u> <u>(Overfunded)</u> <u>Liability</u>	<u>Funded</u> <u>Ratio</u>	<u>Annual</u> <u>Covered</u> <u>Payroll</u>	<u>UAAL as</u> <u>% of</u> <u>Payroll</u>
6/30/97	\$ 410,593	\$ 354,856	\$ 55,737	86.4%	\$ 48,124	115.820%
6/30/98	420,503	422,204	(1,701)	100.4%	49,551	(3.433%)
6/30/99	404,223	467,465	(63,242)	115.6%	95,631	(66.131%)

Note 8 **RISK MANAGEMENT:**

The District is potentially subject to several types of losses, including destruction of its property, plant and equipment, and claims filed against the District and/or its Board of Directors. The District has purchased insurance policies covering the District's insurable fixed assets, general liability, and errors and omissions.