ESPARTO COMMUNITY SERVICE DISTRICT

FINANCIAL STATEMENTS

AUDIT REPORT

June 30, 2015

Pehling & Pehling, CPAs
An Accountancy Corporation

April,6 2016

Esparto Community Service District
PO Box 349
Esparto, CA 95627

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Esparto Community Service District as of and for the years ended June 30, 2015, 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 of 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 applicable to financial audits contained in Governmental Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

We believe that our audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Esparto Community Service District as of June 30, 2015, and the respective changes in financial position, and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

The District has not presented Management's Discussion and Analysis or budgetary comparison information that accounting principles generally accepted in the United States of America require be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April,6 2016, on our consideration of the Esparto Community Service 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Pehling & Pehling, CPA's
An Accountancy Corporation

ESPARTO COMMUNITY SERVICE DISTRICT

Audit Report
June 30, 2015

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ESPARTO COMMUNITY SERVICE DISTRICT
Statement of Net Position
6/30/2015

ASSETS:	
Current Assets:	
Funds on Deposit, County of Yolo	$ 518,118
Reserved Funds for USDA	128,828
Restricted Funds on Deposit	462,814
Funds on Deposit, Bank	83,783
Accounts Receivable	27,032
Total Current Assets	1,220,576
Capital Assets:	
Land	287,475
Buildings and Improvements	8,416,428
Construction-in-progress	53,436
Equipment	492,674
Less: Accumulated Depreciation	(2,137,505)
Total Capital Assets	7,112,508
TOTAL ASSETS	8,333,083
LIABILITIES:	
Current Liabilities:	
Accounts Payable	19,089
Accrued Expenses	18,492
Deferred Revenue	0
Notes Payable - Current Portion	90,000
Total Current Liabilities	127,581
Long-Term Liabilities:	
OPEB	92,730
Net Pension Liability	244,622
Notes Payable	4,600,000
Notes Payable - Current Portion	(90,000)
Total Long-Term Liabilities	4,847,352
TOTAL LIABILITIES	4,974,933
DEFERRED INFLOWS	
Adjustments due to difference in Proportions	10,029
Difference between actual and expected investments	64,002

The accompanying notes are an integral part of these financial statements.

TOTAL DEFERRED INFLOWS	74,031
TOTAL LIABILITIES AND DEFERRED INFLOWS	5,048,964

NET POSITION

Net Investment in Capital Assets	2,512,508
Unrestricted	179,969
Restricted	591,642
TOTAL NET POSITION	$ 3,284,119

The accompanying notes are an integral part of these financial statements.

ESPARTO COMMUNITY SERVICE DISTRICT
Statement of Activities
For the Year-Ended
June 30, 2015

	Expenses	Revenues	Excess of Revenues/(Expenses)
Lighting Service	$ (19,279)	$ 21,626	$ 2,348
Sewer Service	(540,264)	501,443	(38,821)
Water Service	(759,559)	1,115,507	355,948
General	(40,695)	59,461	18,766
NET CHANGE IN NET POSITION			338,241
NET POSITION, BEGINNING OF YEAR			3,266,000
Prior-period Adjustment			(320,122)
NET POSITION, END OF YEAR			$ 3,284,119

The accompanying notes are an integral part of these financial statements.

ESPARTO COMMUNITY SERVICE DISTRICT
Statement of Revenues, Expenses & Change in Net Position
For the Year-Ended
June 30, 2015

	Major Fund 466	Minor Fund 469	Minor Fund 470	Minor Fund 473	Total Memorandum Only
REVENUES:					
Taxes	$ 38,558	$ -	$ -	$ -	$ 38,558
Development Fees	-	460,445	-	-	460,445
Interest	1,107	1,720	316	-	3,143
General Charges for Service	-	-	-	-	-
Lighting Service	21,626	-	-	-	21,626
Sewer Service	468,576	-	-	-	468,576
Water Service	687,929	-	-	-	687,929
Misc. Revenues	17,761	-	-	-	17,761
TOTAL REVENUES	1,235,557	462,165	316	-	1,698,038
EXPENSES:					
Interest	-	-	-	193,339	193,339
Depreciation	248,301	-	-	-	248,301
Insurance	18,144	-	-	-	18,144
Supplies	8,788	-	-	-	8,788
Travel & Training	4,259	-	-	-	4,259
Office	6,527	-	-	-	6,527
Salaries and Benefits	484,587	-	-	-	484,587
Professional Fees	188,219	-	-	-	188,219
Utilities	105,079	-	-	-	105,079
Maintenance & Small Tools	68,003	-	-	-	68,003
Miscellaneous	34,549	-	-	-	34,549

The accompanying notes are an integral part of these financial statements.

ESPARTO COMMUNITY SERVICE DISTRICT
Schedule of Revenues, Expenses & Change in Net Position
For the Year-Ended
June 30, 2015

TOTAL EXPENSES	1,166,457	-	-	193,339	1,359,796
Excess of Revenues Over					
(Under) Expenses	69,099	462,165	316	(193,339)	338,241
Other financial sources/uses					
Fund Transfer	335,815	(554,746)	25,592	193,339	-
NET CHANGE IN NET POSITION	404,914	(92,581)	25,908	-	338,241
NET POSITION, BEGINNING OF YEAR	2,726,722	436,358	102,920	-	3,266,000
Prior-Period Adjustment	(320,122)	-	-	-	(320,122)
NET POSITION, END OF YEAR	$ 2,811,514	$ 343,777	$ 128,828	$ -	$ 3,284,119

The accompanying notes are an integral part of these financial statements.

ESPARTO COMMUNITY SERVICE DISTRICT
Statement of Cash Flow
For the Year-Ended
June 30, 2015

	466	469	470	473	Jun-15 Memorandum Only
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Received from Development Fees	$ -	$ -	$ -	$ -	$ -
Cash Received from Charges for Service	1,214,692	-	-	-	1,214,692
Deduct: Cash paid for Operating Expenses	(985,827)	-	-		(985,827)
NET CASH FLOWS FROM OPERATING ACTIVITIES	228,865	-	-	-	228,865
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Interest Expense	-	-	-	(193,339)	(193,339)
Payment on Principle on Notes Payable	-	-	-	(87,000)	(87,000)
Purchase of Capital Assets	(555,746)	-	-	-	(555,746)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(555,746)	-	-	(280,339)	(555,746)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Cash Transferred Between Funds	335,815	(554,746)	25,592	193,339	-
Property Tax Receipts	38,558	-	-	-	38,558
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	374,373	(554,746)	25,592	193,339	38,558
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Receipts	1,107	1,720	316	-	3,143
NET CASH FLOWS FROM INVESTING ACTIVITIES	1,107	1,720	316	-	3,143
NET INCREASE (DECREASE) IN CASH	48,599	(553,026)	25,908	(87,000)	(565,519)
CASH, BEGINNING OF YEAR	672,339	896,803	102,920	-	1,672,062
CASH, END OF YEAR	$ 720,938	$ 343,777	$ 128,828	$ -	$ 1,106,543

The accompanying notes to the financial statements are an integral part of this statement.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Esparto Community Service District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) 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.

A. Description of the Reporting Entity

The 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, waste disposal, and lighting service to the community of Esparto and surrounding areas.

The District is a governed entity administered by a Board of Directors (Board) that acts as the authoritative and legislative body of the entity. The Board is comprised of five board members who are elected by voters living within the District's boundaries. Elections are held within the Board to appoint the President. The President's responsibilities are to preside at all meetings of the Board; be the chief officer of the District; perform all duties commonly incident to the position of presiding officer of a board, commission, or business organization; and exercise supervision over the business of the District, its officers, and its employees.

The accompanying general-purpose financial statements comply with the provisions of GASB Statement No. 14, *"The Financial Reporting Entity,"* in that the financial statements include all organizations, activities, and functions that comprise the District. Component units are legally separate entities for which the District (the primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either (1) the District's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the District. Using these criteria, the District has no component units.

B. Basis of Accounting/Measurement Focus

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. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

C. Government-Wide Financial Statements

The District Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of Business-Type Activities for the District accompanied by a total column. These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets/deferred inflows and liabilities/deferred outflows, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities demonstrating the degree to which the direct expenses of a given project are offset by project revenues. Direct expenses are those that are specifically associated with a program or function and therefore, are clearly identifiable to a particular function or segment.

Enterprise Funds – The enterprises funds are used to account for all the financial resources of the District. The enterprise fund balance is available to the District for any purpose, provided it is expended or transferred according to the general laws of California and the bylaws of the District. The District maintains separate funds for General (466), Development Fees (469), Loan requirements (470), and USDA repayment (473).

Exchange and Non-Exchange Transactions of Revenues – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Non-exchange transactions, in which the District receives value without directly giving value in return, include taxes and donations. Revenues are recognized when susceptible to accrual, when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year-end. The assessor of the County of Yolo determines the assessed valuations of such property and the tax collector of the County collects the taxes. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

Expenses - On an accrual basis of accounting, expenses are recognized at the time they are incurred.

E. Funds on Deposit, County of Yolo and Bank

The District maintains its cash in a pool managed by the County of Yolo Treasury. The County Treasury, in turn, invests its cash with the State of California in the local agency investment fund as well as other banking institutions. The District does not own any specific identifiable investments in the pool. The risk of loss is minimal. The district also has funds in a commercial bank for timely deposits, but ultimately all money is eventually deposited with the County.

As of June 30, 2015, the primary government had the following investments:

	Fair Value	Rating	Rating Agency
Cash in County Treasury	1,897,961	Unrated	NA
Cash in Local Bank	75,351	FDIC ins.	NA
Cash on Hand	750	Unrated	NA
Total Cash	$ 1,974,062		

Interest rate risk. - The District does not currently have a policy regarding interest rate risk.

Credit risk. - The District does not have a formal policy regarding credit risk

Custodial credit risk. -The District's investment in the State and County Treasurer's investment pools represents a proportionate interest in the pool's portfolio; however, the District's portion is not identified with specific investments and is not subject to custodial credit risk. Cash in local bank is covered by federal depository insurance.

Concentration of credit risk. - The District does not have a policy for concentration of credit risk.

F. Accounts Receivable

Accounts receivable are recorded at their gross value, where appropriate are reduced by the portion that is considered uncollectable. Accounts receivable consists primarily of service fees that have been billed but not paid as of year-end. An allowance for doubtful accounts of $10,460 has been created.

G. Accounts Payable

On an accrual basis, expenses are recognized in the fiscal year in which the goods or services are received. Payables are liabilities of the District based upon current year charges for goods or services received but not paid.

H. Unearned Revenue

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. Revenue is not recorded until the fees are actually spent by the District.

ESPARTO COMMUNITY SERVICE DISTRICT
Notes to Financial Statements
June 30, 2015

Developer Fees 6/30/14	$ 460,445
Fees Collected	-
Capital Purchases	(460,445)
Developer Fees 6/30/15	$ -

I. Fixed Assets

Capital assets, which include property, plant, and equipment, infrastructure assets and intangible are reported in the applicable governmental -type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of one year. Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Donated or contributed capital assets are recorded at their estimated fair value on the date received.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

J. Long-Term Debt

All long-term liabilities to be repaid from the governmental resources are reported as liabilities in the government-wide statements. The long-term liabilities consist of mortgages, equipment leases and unfunded workmen's compensation liability.

The following is a summary of the long-term liability transactions for the year ended June 30, 2015:

	Balance at June 30, 2014	Additions	(Deletions)	Balance at June 30, 2015
USDA Water Loan	3,214,000	-	(66,000)	3,148,000
USDA Sewer Loan	1,473,000	-	(21,000)	1,452,000
Capital Leases	-	-	-	-
Total Long-Term Liabilities	$ 4,808,192	$ -	$ (121,192)	$ 4,687,000

L. USDA Water Loan

In February of 2008 the District received a USDA Loan to construct expanded water facilities. The amount of the loan is not to exceed $ 3,584,000. As of June 30, 2015 the District has drawn down all of the loan and the water project is complete. The first payment is due on February of 2009. The term of the loan is forty years. Interest will be paid at 4.125% per annum.

As of June 30, 2015, annual future minimum lease payments are as follows:

	2015
Current Portion Due	$ 68,000
Long-Term Portion Due	3,080,000
Total Due	$3,148,000

M. USDA Sewer Loan

In February of 2008 the District received a USDA Loan to construct expanded water facilities. The amount of the loan is not to exceed $ 1,579,000. As of June 30, 2015 the District has drawn down all of the loan and the sewer project is complete. The first payment is due on February of 2009. The term of the loan is forty years. Interest will be paid at 4.125% per annum.

As of June 30, 2015, annual future minimum payments are as follows:

	2015
Current Portion Due	$ 22,000
Long-Term Portion Due	1,430,000
Total Due	$ 1,452,000

N. Accrued Expenses

The District allows it employees to accumulate up to 280 hours of vacation and sick leave. Any accumulated 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.

O. Property Tax Revenue

Yolo County, through the Auditor-Controller's Office and the Treasury-Tax Collector, is responsible for collecting and distributing property taxes according to the alternative method of distributing known as the Teeter Plan. Under the Teeter Plan, the current year's secured property tax levy is distributed to participating agencies with the County without consideration of whether the tax has been collected.

P. Inventory, Materials, and Supplies

The inventory on hand at any time is small. Accordingly, purchases are charges directly to fixed assets or to maintenance costs, as applicable.

Q. Net Position

The District's net position represents the difference between its assets and liabilities in the statement of net position. Net position is reported as restricted when there are legal limitations imposed on their use by their source. Portions of the unreserved net assets or fund balance may be designated to indicate tentative plans for financial resources utilization in a future period, such as for general contingencies, purchase of capital assets, or debt service. Such plans or intent are subject to change and may never be legally authorized or result in expenditures.

	Water	Sewer
Net Position 6/30/14	$1,474,458	$ 1,791,542
Net Change in Net Position	206,444	(188,325)
Net Position 6/30/15	$1,680,902	$ 1,603,217

R. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; damage to, and theft or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2015, the District contracted with private insurance agencies for liability, property, crime damage, and employee and director insurances.

NOTE 3: DEFINED BENEFIT PENSION PLAN

Plan Description - The Esparto Community Service District's defined benefit 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's defined benefit pension plan is part if the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by the State statutes within the Public Employees' Retirement Law. The Esparto Community Service District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts the benefits though local ordinance (other local methods). 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, CA 95814.

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

Summary of Significant Accounting Policies

For Purposes of Measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this Purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report the following timeframes are used.

Validation Date (VD)	June 30, 2013
Measurement Date (MD)	June 30, 2014
Measurement Period (MP)	July 1, 2013 to June 30, 2014

General Information about the Pension Plan

Plan Description, Benefits Provided and Employees Covered

The Plan is a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2013 actuarial valuation report. This report is a publicly available valuation report that can be obtained at CalPERS' website under Forms and Publications.

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) 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. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For Public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by the employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2014 (the measurement date), the active employee contribution rate is 8.980 percent of annual pay, and the average employer's contribution rate is 47.403 percent of annual payroll for safety. Employer contributions rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

Actuarial Methods and Assumptions Used to determine Total Pension Liability

For the measurement period ending June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. Both the June

30, 2013 total pension liability and the June 30, 2014 total pension liability were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table[1]	Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

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

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. 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 is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report call the "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

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 was resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Public Agency Cost-Sharing Multi-Employer Defined Benefit Pension Plan. However, employers may determine the impact at the plan level for there own financial reporting purposes.

CalPERS is Scheduled to review all actuarial assumptions as part of its regular Asset Liability Management 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 though at least the 2017-2018 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) 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 geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1-10[1]	Real Return Years 11+[2]
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	2.0	(0.55)	(1.05)

[1] An epected inflation of 2.5% used for this period

[2] An expected inflation of 3.0% used for this period

Pension Plan Fiduciary Net Position

The plan fiduciary net position disclosed in your GASB 68 accounting valuation report may differ from the plan assets reported in your funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included in fiduciary net position. These amounts are excluded for rate setting purposes in your funding actuarial valuation. In addition, differences may result from early CAFR closing and final reconciled reserves.

Allocation of Net Pension Liability and Pension Expense to Individual Plans

A key aspect of GASB 68 pertaining to cost-sharing employers is the establishment of an approach to allocate the net pension liability and pension expense to the individual employers within the risk pool. Paragraph 49 of GASB 68 indicates that for pools where contribution rates within the pool are based on separate relations ships, the proportional allocation should reflect those relationships. The allocation method utilized by CalPERS determines the employer's share by reflecting these relationships through the plans they sponsor within the risk pool. Plan liability and asset-related information are used where available, and proportional allocations if individual plan amounts as of the valuation date are used where not available.

(1) In determining a cost-sharing plans proportionate share, total amounts of liabilities and assets are first calculated for the Miscellaneous Risk Pool (risk pool) as a whole on the valuation date (2013). The risk pool's fiduciary net position (FNP) subtracted from its total pension liability (TPL) determines the net position liability (NPL) at the valuation date.

(2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2014). Risk Pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date.

Note: for purposes of FNP in this step (2) and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2014 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2013-14).

(3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date.

(4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.

(5) The plan's TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4).

The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.

(6) The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

Please refer to the CalPERS Public Agency Cost-Sharing Allocation Methodology Report that can be obtained at CalPERS' website under the GASB 68 section, and see Appendix D of this report for the calculation of the plan's proportionate share of the TPL and FNP.

The plan's proportion of aggregate employer contributions is equal to the plan's proportion of FNP calculated in (4).

The following table shows the Plan's proportionate share of the risk pool collective net pension liability over the measurement period.

	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability/(Asset) (c)=(a)-(b)
Balance at: 6/30/2013 (VD)	$ 1,110,321	$ 798,966	$ 311,355
Balance at: 6/30/2014 (MD)	$ 1,176,396	$ 931,774	$ 244,622
Net Changes during 2013-14	$ 66,075	$ 132,808	$ (66,733)

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Recognition of Gains and Losses

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pension and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of participants (active, inactive and retired) in PERF C.

The EARSL for the 2013-14 measurement period is 3.8 years, which was obtained by dividing to total service years 460,700 (the sum of remaining service lifetimes of the active employees) by 122,789 (the total number of participants: active, inactive, and retired). Note that inactive employees are retirees have remaining service lifetimes equal to 0. Also, note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Pension Expense and Deferred Outflows and Deferred Inflows

For the measurement period ended June 30, 2014 (the measurement date), the Esparto Community Service District incurred a pension expense.

As of June 30, 2014, the Esparto Community Service District reports other amounts for the Plan as deferred outflows and deferred inflows of resources related to pensions as follows:

Differences between Expected and Actual Experience	$0	$0
Changes of Assumptions	0	0
Net Difference between Projected and Actual Earnings on Pension Plan Investments	0	(64,002)
Adjustment due to Differences in Proportions	0	(10,029)
Total	**$0**	**($74,031)**

The amounts above are net outflows and inflows recognized in the 2013-14 measurement period expense.

In addition to the figures shown in the table above, each employer is required to recognize an employer-specific expense item and a deferred outflow or deferred inflow of resources related to pensions. This is derived for the difference between actual contributions made by the employer and the employer's proportionate share of the risk pool's total contributions.

Amounts reported as deferred outflows and deferred inflows of resources related to pensions, other that the employer-specific item, will be recognized in future pension expense as follows:

Measurement Period Ended June 30:	Deferred Outflows/(Inflows) of Resources
2015	$ (19,583)
2016	(19,583)
2017	(18,866)
2018	(15,999)
2019	0
Thereafter	0

The deferred outflows and deferred inflows and schedules of future amortizations for the Risk Pool in aggregate are summarized in Appendix A.

Schedules of Required Supplementary Information

Schedule of the Plan's Proportionate Share of the Net Pension Liability and Related Ratios as of the Measurement Date in Relation to PERF C.

Plan's Proportion of the Net Pension Liability/(Asset)		0.004%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	$	244,622
Plan's Covered-Employee Payroll	$	247,672
Plan's Proportionate Share of the Net Pention Liability/(Asset) as a Percentage of its Covered-Emplyee Payroll		98.77%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability		79.21%
Plan's Proportionate Share of Aggregate Employer Contributions	$	25,197

The deferred outflows and deferred inflows and schedules of future amortizations for the Risk Pool in aggregate are summarized.

Schedule of Plan Contributions

Actuarially Determined Contribution	$46,016
Contributions in Relation to the Actuarially Determine Contribution	46,016
Contribution Deficiency (Excess)	$92,032
Covered-Employee Payroll	$247,672
Contributions asa Percentage of Covere- Employee Payroll	18.58%

NOTE 4: POST RETIREMENT BENEFITS:

In addition to the pension benefits described in Note 3, Employees' Retirement Plan, the District provides medical insurance to retired employees. The scope of the benefits provided depends on the memorandum of understanding between the District and the employees.

Plan Description
The District provides contributions for post retirement health to retired employees. The scope of the benefits provided is currently $675 per month for employee, $1,000 for employee and one family member, and $1,260 for employee and two family members. The employee must have worked a minimum of 10 years with the District and retire after age 50 in order to qualify for medical benefits.

Current Accounting and Funding Policy of the Plan
The District finances the plan on a pay-as-you-go basis and the expenditures for post-retirement benefits other than pension benefits are recognized as payments are made. During the year ended June 30, 2015, expenditures of approximately $12,000 were paid for post-employment benefits other than pension benefit.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events in the future. The actuarial assumptions included (a) Demographic assumptions affected by mortality, turnover, disability, and retirement.

The accompanying schedules of employer contributions present trend information about the amounts contributed to the plan by the employers in comparison to the Annual Required Contribution (ARC), an amount that is actuarially determined in accordance with the parameters of GASB Statement 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern on sharing benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective on the calculations.

	District Service Benefit
Valuation Date	June 30, 2012
Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Pay over a 30 year period
Discount Rate	3%
Asset Valuation Method	There are no assets in an irrevocable trust
Healthcare Cost Trend	The District pays a maximum of $675 per month for employee, $1,000 for employee and one family member, and $1,260 for employee and two family members.

Schedules of Employer Contributions

Employer Contributions District Service

Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
6/30/13	$ 33,567	$ 12,000	35.7%
6/30/14	33,567	12,000	35.7%
6/30/15	40,029	12,000	29.9%

NOTE 5: USE OF RESTRICTED/UNRESTRICTED NET POSITION

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the District's policy is to apply restricted net position first.

NOTE 6: CONTIGENCIES

As of June 30, 2015, the District is involved in a lawsuit arising in the ordinary course of operations. In the opinion of management and the District's attorney, the outcome of these legal matters will not have a material adverse effect on the District's financial position.

NOTE 7: SUBSEQUENT EVENTS

The District's management has evaluated events and transactions subsequent to June 30, 2015 for potential recognition or disclosure in the financial statements. Subsequent events have been evaluated through April,6 2016, the date the financial statements became available to be issued. The entity has not evaluated subsequent events after April,6 2016. Subsequent to year-end the District entered into a settlement agreement with Emerald Homes. As part of the agreement the District is to pay Emerald Homes $100,000 in the 2016 Fiscal Year as provide Emerald Home $325,000 in future credits for water and wastewater hookup fees.

ESPARTO COMMUNITY SERVICE DISTRICT

Supplemental Information

June 30, 2015

April,6 2016

Board of Directors
Esparto Community Service District
PO Box 349
Esparto, CA 95627

INDEPENDENT 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*

We have audited the financial statements of Esparto Community Service District as of and for the year ended June 30, 2015, and have issued our report thereon dated April,6 2016. 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.

Internal Control Over Financial Reporting

Management of Esparto Community Service District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Esparto Community Service District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Esparto Community Service District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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

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

Certified Public Accountant | Zachary Pehling | Master of Business Administration
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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*
(continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Esparto Community Service District's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, others within the organization, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Pehling & Pehling CPAs
An Accountancy Corporation
April,6 2016