

**LAKE DON PEDRO  
COMMUNITY SERVICES DISTRICT  
ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2013**

# LAKE DON PEDRO COMMUNITY SERVICES DISTRICT, CALIFORNIA

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## INDEPENDENT AUDITOR'S REPORT

To The Board of Directors  
Lake Don Pedro Community Services District  
La Grange, California

We have audited the accompanying financial statements of governmental activities of Lake Don Pedro Community Services District, as of and for the years ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. The prior year summarized comparative information has been derived from the District's 2012 financial statements and, in our report dated January 31, 2013 we expressed unqualified opinions on the respective financial statements.

### 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 opinions 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. 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

**LAKE DON PEDRO COMMUNITY SERVICE DISTRICT  
MANAGEMENTS DISCUSSION AND ANALYSIS  
JUNE 30, 2013  
(UNAUDITED)**

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This section of the Lake Don Pedro Community Services District annual financial report provides important background information and management's analysis of the District's financial performance during the fiscal year that ended on June 30, 2013. Please read this section in conjunction with the basic financial statements and the notes to the basic financial statements.

**Financial Highlights**

- Total assets of the District were approximately \$4,812,181 in 2013 and \$4,436,685 in 2012, an increase of approximately \$375,496.
- Total liabilities increased by approximately \$99,512 during the same period.
- Operating revenues increased approximately \$44,899 during the same period.
- Operating expenses increased by \$36,477.

**Overview of the Financial Statements**

This financial report consists of the following basic parts: management's discussion and analysis (this section) of the basic financial statements.

The basic financial statements contained in this report are presented using Governmental Accounting Standard's Board (GASB) accounting principles. These statements provide overall information about The District's financial activities on both a short-term and long-term basis. The statement of net assets presents information about its assets (resources) and liabilities (the amount obligated to its creditors). The statements of revenues, expenses, and changes in net assets present information about the current year revenues and expenses. The statement also provides useful information for determining whether the District's service revenue and other revenue sources were sufficient to allow the District to recover all of its costs. The final financial statement in this report is the statement of cash flows, which provides information about The District's cash from operations, investing, and financing activities. In addition, this statement provides useful information to answer questions such as where cash came from, what cash was used for, and what was the change in cash balance during the reporting period.

**FUND FINANCIAL STATEMENTS**

Proprietary fund - All of the District's expenses incurred for the provision of Water Services are reported to a proprietary fund, which focuses on measuring the total costs of the service, including depreciation, and primarily recovering those costs through user charges or other revenue sources. This fund is reported using the accrual basis of accounting, which recognizes revenue when earned and expenses when incurred.

**LAKE DON PEDRO COMMUNITY SERVICE DISTRICT  
MANAGEMENTS DISCUSSION AND ANALYSIS  
JUNE 30, 2013  
(UNAUDITED)**

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**GOVERNMENTAL ACTIVITIES**

The District’s total revenues exceeded expenses by \$275,984. Total revenues for the year were \$1,576,931. Of this, \$1,557,217 was received from operating revenues, \$1,153 from investment earnings, and \$18,561 from miscellaneous sources. Prior year’s total revenue was \$1,526,075.

Expenses totaled \$1,467,888 attributable to water service. Prior year’s expenses were \$1,432,367.

**CAPITAL ASSETS**

At the end of June 2013, the District purchased a net amount of \$135,392 in capital assets with District funds and disposed of \$195,846 in capital assets.

Table 3  
Capital Assets At Year End  
Totals

	2013	2012
Land	\$ 157,325	\$ 157,325
Plant And Structures	8,088,116	7,953,182
Equipment And Vehicles	836,214	976,037
Construction In Progress	455,564	511,129
Less: Accumulated Depreciation	( 6,132,506)	( 6,082,858)
	<u>\$ 3,404,713</u>	<u>\$ 3,514,815</u>

This year’s major additions included:

Modular Office	\$131,684
Kyocera Printer	\$3,250
Construction in Progress	\$458

This year’s disposals included:

Springbrook Software	\$139,145
Pipe Cutter	\$678
Construction in Progress	\$56,023

The District currently has several on-going capital improvement projects. These projects include the AMR System, Intake Float Pump/ Barge Upgrade, and Water Treatment Plant Equipment Upgrades/ Replacement. Many others are being researched and prioritized for the future.

LAKE DON PEDRO COMMUNITY SERVICES DISTRICT  
 PROPRIETARY FUNDS  
 STATEMENT OF NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2013  
 WITH TOTALS FOR 2012 FOR COMPARISON PURPOSES ONLY

	Business-Type Activities Enterprise Fund	
	2013	2012
<b>Assets</b>		
Cash And Investments	1,102,073	640,482
Accounts Receivable	175,694	182,494
Prepaid Expense	43,710	37,004
Inventory	85,991	61,890
Land	157,325	157,325
Construction In Progress	455,564	511,129
Fixed Assets	8,924,330	8,929,219
Accumulated Depreciation	( 6,132,506)	( 6,082,858)
Total Assets	<u>4,812,181</u>	<u>4,436,685</u>
<b>Liabilities</b>		
Accounts Payable	94,820	66,261
Interest Payable	19,200	17,628
Accrued Payroll	10,618	14,200
Compensated Absences	14,439	18,899
Post Retirement Benefit Obligation	600,290	463,575
Loans Payable	1,161,710	1,221,002
Total Liabilities	<u>1,901,077</u>	<u>1,801,565</u>
<b>Net Assets</b>		
Invested In Capital Assets		
Net Of Related Debt	2,243,003	2,293,813
Restricted	0	0
Unrestricted	668,101	341,307
Total Net Assets	<u>2,911,104</u>	<u>2,635,120</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT  
 PROPRIETARY FUND  
 STATEMENTS OF REVENUES, EXPENDITURES , AND CHANGES IN NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2013  
 WITH TOTALS FOR 2012 FOR COMPARISON PURPOSES ONLY**

	<b>Business-Type Activities Enterprise Fund</b>	
	<b>2013</b>	<b>2012</b>
Operating Revenues		
Water Sales And Assessments	1,440,698	1,384,372
Transfer, Connection And Meter Fees	92,200	109,200
Interest And Penalties On Delinquent Accounts	24,319	18,746
Total Operating Revenues	<u>1,557,217</u>	<u>1,512,318</u>
Operating Expenses		
Salaries And Benefits - Plant	202,412	191,455
Salaries And Benefits - Administrative	173,737	292,881
Post Retirement Benefit	136,715	130,652
Supplies And Services - Plant	358,212	333,760
Supplies And Services - Administrative	349,100	197,065
Depreciation	186,425	224,311
Total Operating Expenses	<u>1,406,601</u>	<u>1,370,124</u>
Operating Income (Loss)	<u>150,616</u>	<u>142,194</u>
Nonoperating Revenues (Expenses)		
Investment Earnings	1,153	1,196
Miscellaneous	18,561	12,561
Gain (Loss) On Disposal Of Asset	0	0
Interest Expense	( 61,287)	( 62,243)
Total Nonoperating Revenues (Expenses)	<u>( 41,573)</u>	<u>( 48,486)</u>
Extraordinary Items		
Insurance Recovery On Office Fire	166,941	160,584
Expense On Office Fire	0	( 152,101)
(Loss) On Assets - Office Fire	0	( 73,657)
Total Extraordinary Recovery (Losses)	<u>166,941</u>	<u>( 65,174)</u>
Change In Net Assets	275,984	28,534
Total Net Assets - Beginning	<u>2,635,120</u>	<u>2,606,586</u>
Total Net Assets - Ending	<u><u>2,911,104</u></u>	<u><u>2,635,120</u></u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

Reconciliation Of Operating Income To Net Cash Provided (Used) By Operating Activities	<u>2013</u>	<u>2012</u>
Net Income (Loss)	150,616	142,194
Non-Cash Items Included In Net Income		
Depreciation	186,425	224,311
(Increase) Decrease In		
Accounts Receivable	6,800	( 31,620)
Inventory	( 24,101)	284
Prepaid Expenses	( 6,706)	( 2,281)
Increase (Decrease) In		
Accounts Payable	28,559	( 28,253)
Accrued Payroll Liabilities	( 3,582)	1,420
Compensated Absences	( 4,460)	3,525
Post Retirement Benefit Obligation	<u>136,715</u>	<u>130,652</u>
Net Cash Provided By (Used In)		
Operating Activities	<u><u>470,266</u></u>	<u><u>440,232</u></u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS



**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

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**C. Assets, Liabilities, Net Assets or Equity**

**1. Cash and Investments**

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the District. The District follows the practice of pooling the cash from all funds for investment purposes.

California State statute authorizes the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements. Investments are stated at fair value.

**2. Receivables and Payables**

Billings for water services are sent monthly and are reflected on the accrual basis of accounting. Delinquent accounts are submitted to the Counties of Mariposa and Tuolumne and are attached to the County tax roles.

**3. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2013 are recorded as prepaid items.

**4. Restricted Assets**

Certain proceeds of revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

**5. Capital Assets**

Capital assets are defined by the District as assets with an initial, individual cost of \$2,500 for equipment and \$25,000 for buildings and infrastructure. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation is recorded in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service life using the straight-line method.

LAKE DON PEDRO COMMUNITY SERVICES DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2013

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III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Cash And Investments

Cash and investments as of June 30, 2013 and 2012 are classified in the accompanying financial statements as follows:

Statement of net assets:

	<u>2013</u>	<u>2012</u>
Cash and investments	\$ 1,102,073	\$ 640,482

Cash and investments as of June 30, 2013 and 2012 consist of the following:

Cash on hand	\$ 125	\$ 125
Deposits with financial institutions	940,650	479,438
Local Agency Investment fund (LAIF)	<u>161,298</u>	<u>160,919</u>
Total cash and investments	<u>\$ 1,102,073</u>	<u>\$ 640,482</u>

**Investments Authorized by the District's Investment Policy**

The District's investment policy authorizes investment in the local government investment pool administered by the State of California (LAIF). The District's investment policy also authorizes cash to be invested in Certificates of Deposits, Bankers Acceptances, and Passbook Savings Demand Deposits. The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk.

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of year-end, the weighted average maturity of the investments contained in the LAIF investment pool is approximately 8.93 months.

		<u>Maturity Date</u>
State investment pool	\$ 161,298	8.93 months average maturity
Total	<u>\$ 161,298</u>	

**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2013**

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**Investment in State Investment Pool**

The District's is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

**Deferred Compensation Plan**

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The District deposits deferred compensation plan assets with the California Public Employees Retirement System (PERS). Federal legislation requires that the assets of such plans be held in trust for the exclusive benefit of the plan participants and their beneficiaries. PERS act as the trustees for the plan assets and the District is considered to have limited fiduciary responsibility for the plan assets. As such, the District does not report the deferred compensation plan assets on its financial statements.

**B. Accounts Receivable**

Receivables at June 30, 2013 and 2012 for the District's water services are sent monthly and are reflected on the accrual basis of accounting. Delinquent accounts are submitted to the Counties of Mariposa and Tuolumne and are attached to the County tax roles. All receivables are expected to be collected within one year.

	Water	
	<u>2013</u>	<u>2012</u>
Business-type activities		
Utility billings	\$ 175,694	\$ 182,494
Total	<u>\$ 175,694</u>	<u>\$ 182,494</u>

**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

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**D. Capital Assets (continued)**

Depreciation was charged to functions/programs of the primary government as follows:

		Water	
		2013	2012
Business-type activities			
Depreciation expense		<u>\$ 186,425</u>	<u>\$ 224,311</u>
Total		<u>\$ 186,425</u>	<u>\$ 224,311</u>

**E. Long-Term Debt**

The District secured financing with board approval on July 17, 2006 in the amount of \$1,500,000 for the improvements for the water treatment plant. Repayment will be made to the Municipal Financial Corporation in semi-annual payments of \$59,503 including interest at 4.95% through 2026. Note is secured by all net revenues.

The annual debt service requirements of the notes payable are as follows:

Year ending	MUNI	
	Principal	Interest
June 30,		
2014	62,263	56,744
2015	65,383	53,623
2016	68,659	50,347
2017-2021	398,487	196,544
2022-2026	508,854	86,177
2027	<u>58,064</u>	<u>1,437</u>
	<u>\$ 1,161,710</u>	<u>\$ 444,872</u>

**LAKE DON PEDRO COMMUNITY SERVICES DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

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**C. Post Employment Benefits - continued**

from the District. The District pays a portion of the cost of the benefit, up to a predetermined cap. Retirees are responsible for costs in excess of the cap. The employees of the District also participate in the retiree health plan. At June 30, 2013, the District had two current and five retired employees who were eligible to participate in the plan.

<u>Obligations and Funded Status</u>	<u>2013</u>
Change in Benefit obligation	
Benefit obligation at beginning of year	463,575
Annual required contribution	164,999
Interest cost	0
Amendments	N/A
Adjustment to annual required contribution	0
Acquisition	N/A
Benefits paid	( 28,284)
Benefit obligation at end of year	<u>600,290</u>

**D. Employee Retirement Systems and Plans**

All District full-time employees participate in the California Public Employees' Retirement System (CalPERS), a cost sharing multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Copies of CalPERS annual financial report may be obtained from their Executive Office – 400 P Street, Sacramento, CA 95814.

For covered employees, the employer and employee contributions vary by individual. For June 30, 2013, the District's annual pension cost of \$13,725 for CalPERS was equal to the District's required and actual contributions. The District is required to contribute based on rate schedules issued by CalPERS.

The required contribution was determined as part of the June 30, 2010, actuarial valuation using the entry age normal actuarial cost method. The contribution is determined by the member's age and date of entry into the retirement system and the member's salary level. The actuarial assumptions include (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) include an inflation component of .001%.

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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***

To The Board of Directors  
Lake Don Pedro Community Services District  
La Grange, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of Lake Don Pedro Community Services District, State of California, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Lake Don Pedro Community Services District's basic financial statements and have issued our report thereon dated January 7, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Lake Don Pedro Community Services District State of California's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lake Don Pedro Community Services District, State of California's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lake Don Pedro Community Services District, State of California'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.