



**TOWN OF DISCOVERY BAY
COMMUNITY SERVICES DISTRICT**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2013



CROCE, SANGUINETTI, & VANDER VEEN

CERTIFIED PUBLIC ACCOUNTANTS

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CROCE, SANGUINETTI, & VANDER VEEN
INC.

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Directors
**Town of Discovery Bay Community
Services District**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Town of Discovery Bay Community Services District (District)** as of and for the year 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.

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.

Auditors' 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Town of Discovery Bay Community Services District** as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 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 basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Croce, Sanguinetti, & Vander Veen, Inc.

CROCE, SANGUINETTI, & VANDER VEEN, INC.
Certified Public Accountants
Stockton, California
June 13, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis

June 30, 2013

This narrative overview and analysis of the Town of Discovery Bay Community Services District's (District) financial activities for the fiscal year ended June 30, 2013 has been provided by the management of the District. The management's discussion and analysis is intended to serve as an introduction to the District's financial statements which follow this section and is recommended to be reviewed in conjunction with them.

Financial Highlights

- The District's net position increased by \$903,891 over the prior year, including a \$70,868 increase in net position of governmental activities, and a \$833,023 increase in net position of business-type activities. The District's net position is now \$42,554,176.
- Total assets of the District were \$57,679,745 with capital assets at \$35,967,193 net of accumulated depreciation. Current, non-current and other assets were \$21,712,552.
- Total liabilities were \$15,125,569 consisting of long-term liabilities of \$14,242,632 and other current liabilities of \$882,937.
- Assets of the District exceeded liabilities at the close of the most recent fiscal year by \$42,554,176 (net position). Of this amount, \$20,736,983 (unrestricted net position) may be used to meet the District's ongoing obligations, and \$21,817,193 is net investment in capital assets.
- On the current financial resources basis, the District's governmental fund expenditures (including \$793,663 in capital outlay expenditures) exceeded revenues by \$936,155. The proprietary fund revenues exceeded expenses by \$833,023.
- At year-end, there was \$1,090,856 in cash and investments to fund future governmental activities, and \$19,691,281 in cash and investments to fund future business-type activities.

Overview of the Financial Statements

The District's financial statements are comprised of three components: government-wide financial statements, fund financial statements and notes to financial statements including required supplementary information.

Government-wide and fund financial statements present the results of operations for different functions of the District as follows:

1. **Government-wide financial statements** provide both long-term and short-term information about the District's overall financial position in a manner similar to private-sector business.

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis

June 30, 2013

Overview of the Financial Statements (Continued)

The **Statement of Net Position** displays all of the District's assets and liabilities, with the difference between the two reported as net position. The **Statement of Activities** provides all current year revenues and expenses on an accrual basis of accounting regardless of when cash is received or paid. These two government-wide statements report the District's net position and how they have changed during the fiscal year. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or weakening.

The government-wide financial statements separately present the District's functions as follows:

- **Governmental activities** include services financed mainly through property taxes. The District's general, lighting and landscaping and community center services comprise its governmental activities.
 - **Business-type activities** include services financed, in whole or in part, by fees paid by those who directly benefit from the service. The District's business-type activities include providing water and wastewater services to the residents of the District.
2. **Fund financial statements** focus on the individual functions of the District, and report the District's operations in more detail than the government-wide statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used by state and local governments to control their resources that are legally restricted or otherwise earmarked for special purposes. The District reports its fund financial statements in the following two categories:
- **Governmental funds** are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on 1) short-term inflows and outflows of expendable resources, and 2) the resources remaining at the end of the fiscal year that are available for future use. Because the focus of governmental funds is narrower than the government-wide financial statements, a reconciliation that explains the relationship (or differences) between them is presented following each of the governmental fund statements.
 - **Proprietary funds** are used to report the same functions presented as business-type activities in the government-wide financial statements in more detail.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis

June 30, 2013

Financial Analysis of the Government-wide Financial Statements

A review of net position over time may serve as a useful indicator of the District's financial position. Net position represents the difference between the District's assets and liabilities. As of June 30, 2013, the District's net position was \$42,554,176, an increase of \$903,891 from prior year. The following table outlines the District's net position by function for the current and prior fiscal years.

Town of Discovery Bay Community Services District Net Assets
(rounded to the nearest dollar)
As of June 30, 2013 and 2012

	Governmental Activities		Business-type Activities		Total		Variance \$
	2013	2012	2013	2012	2013	2012	
Assets							
Current and other assets	\$ 1,518,860	\$ 1,983,027	\$ 7,681,181	\$ 6,451,661	\$ 9,200,041	\$ 8,434,688	\$ 765,353
Restricted assets	-	-	12,451,709	-	12,451,709	-	12,451,709
Non-current assets	-	-	60,802	-	60,802	-	60,802
Capital assets, net	<u>2,442,704</u>	<u>1,788,170</u>	<u>33,524,489</u>	<u>32,297,899</u>	<u>35,967,193</u>	<u>34,086,069</u>	<u>1,881,124</u>
Total assets	<u>3,961,564</u>	<u>3,771,197</u>	<u>53,718,181</u>	<u>38,749,560</u>	<u>57,679,745</u>	<u>42,520,757</u>	<u>15,158,988</u>
Liabilities							
Current liabilities	149,859	32,203	733,078	808,731	882,937	840,934	42,003
Non-current liabilities	<u>7,051</u>	<u>5,208</u>	<u>14,235,581</u>	<u>24,330</u>	<u>14,242,632</u>	<u>29,538</u>	<u>14,213,094</u>
Total liabilities	<u>156,910</u>	<u>37,411</u>	<u>14,968,659</u>	<u>833,061</u>	<u>15,125,569</u>	<u>870,472</u>	<u>14,255,097</u>
Net Position							
Invested in capital assets	2,442,704	1,788,170	19,374,489	32,297,899	21,817,193	34,086,069	(12,268,876)
Unrestricted	<u>1,361,950</u>	<u>1,945,616</u>	<u>19,375,033</u>	<u>5,618,600</u>	<u>20,736,983</u>	<u>7,564,216</u>	<u>12,772,767</u>
Total net position	<u>\$ 3,804,654</u>	<u>\$ 3,733,786</u>	<u>\$ 38,749,522</u>	<u>\$ 37,916,499</u>	<u>\$ 42,554,176</u>	<u>\$ 41,650,285</u>	<u>\$ 903,891</u>

By far the largest portion of the District's net position (52%) reflects its net capital assets (e.g., land, buildings and improvements, equipment, etc.). The District uses its capital assets to provide the services it is responsible for and those assets don't represent future expendable resources. The second largest portion of the District's net position, approximately 48%, reflects its unrestricted net position, which may be used to meet the government's ongoing obligations.

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis

June 30, 2013

Financial Analysis of the Government-wide Financial Statements (Continued)

The following table displays the change in the District's net position for the year ended June 30, 2013.

Town of Discovery Bay Community Services District Change in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues						
Program revenues						
Charges for services	\$ 58,284	\$ -	\$ 7,133,748	\$ 5,502,278	\$ 7,164,032	\$ 5,502,278
Operating grants and contributions	3,509	-	-	-	3,509	-
Capital grants and contributions	422,330	92,036	-	-	422,330	92,036
General revenues						
Property taxes	443,156	443,147	-	-	471,156	443,147
Assessments	112,878	113,973	-	-	112,878	113,973
Investment income	-	77	3,739	58	3,739	135
Other	121,837	32,074	4,002	-	125,839	32,074
Total revenues	<u>1,161,994</u>	<u>681,307</u>	<u>7,141,489</u>	<u>5,502,336</u>	<u>8,303,483</u>	<u>6,183,643</u>
Expenses						
General government	115,672	-	-	-	115,672	-
Community center	89,411	10,051	-	-	89,411	10,051
Lighting and landscaping Zone 8	775,081	514,341	-	-	775,081	514,341
Lighting and landscaping Zone 9	110,962	99,935	-	-	110,962	99,935
Water and sewer	-	-	5,530,295	6,063,058	5,530,295	6,063,058
Financing authority	-	-	778,171	-	778,171	-
Total expenses	<u>1,091,126</u>	<u>624,327</u>	<u>6,308,466</u>	<u>6,063,058</u>	<u>7,399,592</u>	<u>6,687,385</u>
Transfers	-	-	-	-	-	-
Change in net position	70,868	56,980	833,023	(560,722)	903,891	(503,742)
Contributed capital	-	35,847	-	-	-	35,847
Net position, beginning of year	<u>3,733,786</u>	<u>3,640,959</u>	<u>37,916,499</u>	<u>38,477,221</u>	<u>41,650,285</u>	<u>42,118,180</u>
Net position, end of year	<u>\$ 3,804,654</u>	<u>\$ 3,733,786</u>	<u>\$ 38,749,522</u>	<u>\$ 37,916,499</u>	<u>\$ 42,554,176</u>	<u>\$ 41,650,285</u>

The \$903,891 increase in net position is attributed to each function as follows:

Governmental Activities

- Charge for services increased by \$58,284 due to fitness dues and pool fees received as a result of the purchase of the community center.
- Capital grants and contributions increased by \$330,294 due to grant monies received from East Bay Regional Park District Measure WW Park Bond.
- Costs for salaries increased \$87,645 (77%).

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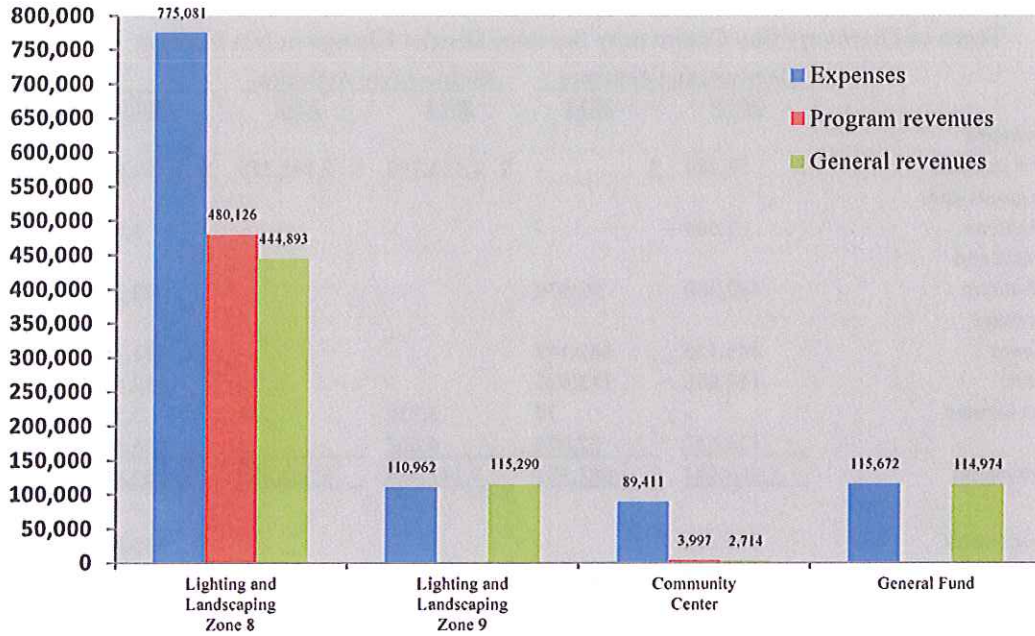
TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis

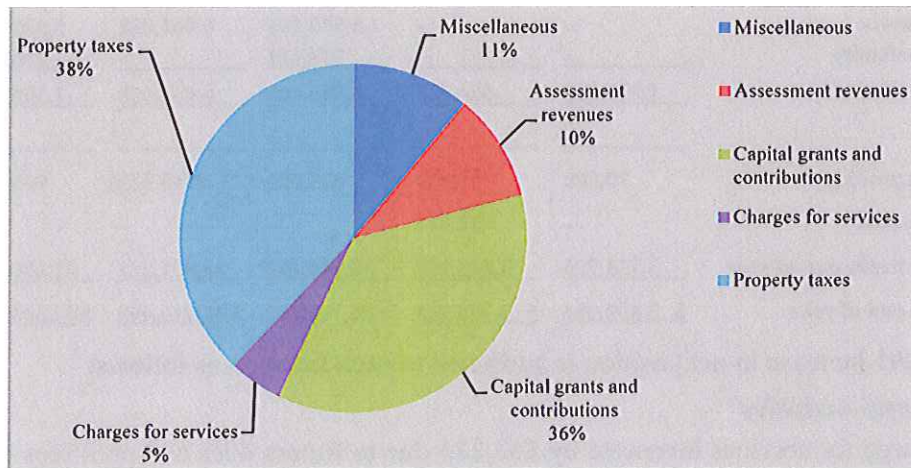
June 30, 2013

Financial Analysis of the Government-wide Financial Statements (Continued)

Expenses and Revenues - Governmental Activities



Revenues by Source - Governmental Activities



(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis

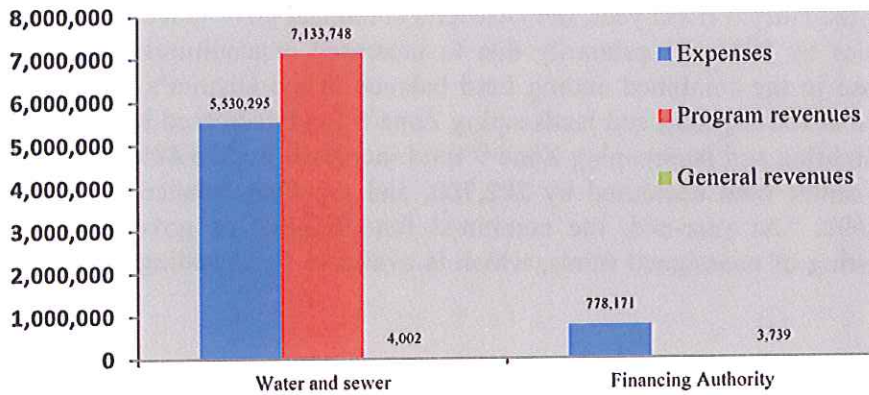
June 30, 2013

Financial Analysis of the Government-wide Financial Statements (Continued)

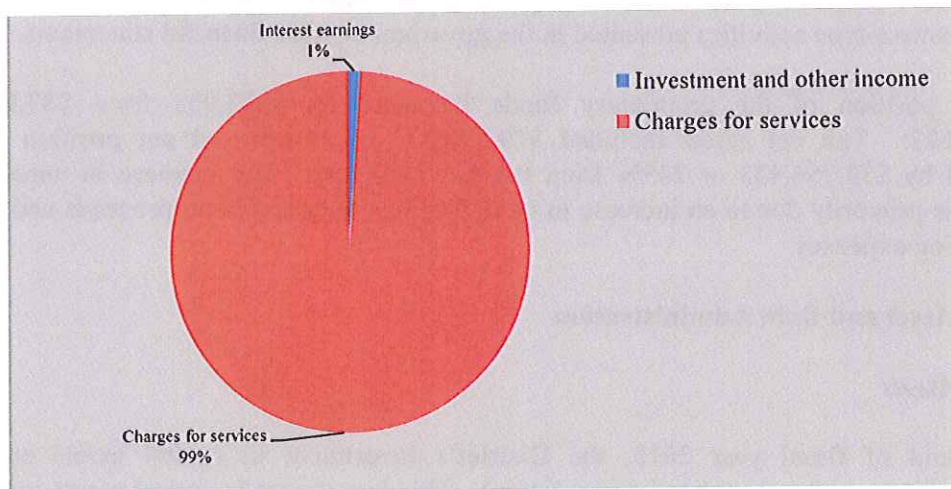
Business-type Activities

- Charges for services increased \$1,631,470 (30%) due to an increase in water and sewer rates.
- Expenses increased \$245,408 (4%) primarily due to higher depreciation, payroll costs and lower utilities, consulting services and contract services.

Expenses and Revenues - Business-type Activities



Revenues by Source - Business-type Activities



TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis

June 30, 2013

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's governmental funds is to provide information on the short-term inflows and outflows and balances of current expendable resources. In particular, the *unassigned fund balance* presented in the balance sheet may serve as a useful measure of the District's resources available for spending at the end of its fiscal year.

As of the end of the current fiscal year, the District's combined governmental fund expenditures exceeded revenues by \$936,155 primarily due to increased expenditures. This resulted in a \$936,155 decrease in the combined ending fund balance of the District's governmental funds. The fund balance of the Lighting and landscaping Zone 8 fund decreased by \$869,238, the fund balance of the Lighting and landscaping Zone 9 fund increased by \$16,481, the fund balance of the community center fund decreased by \$82,700, and the fund balance of the general fund decreased by \$698. At year-end, the combined fund balance of governmental funds was \$969,001, consisting of unassigned funds, which is available for spending at the government's discretion.

Proprietary Funds

The District's proprietary fund statements provide the same type of information, in more detail, on the business-type activities presented in the government-wide financial statements.

The net position of the proprietary funds increased by \$833,023 from \$37,916,499 to \$38,749,522. The net assets included \$19,375,033 in unrestricted net position which has increased by \$13,756,433 or 245% from the previous year. The increase in unrestricted net position is primarily due to an increase in operating revenues and bond proceeds and a decrease in operating expenses.

Capital Asset and Debt Administration

Capital Assets

At the end of fiscal year 2013, the District's investment in capital assets amounted to \$21,817,193 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, vehicles, structures and improvements, and treatment and collection.

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis

June 30, 2013

Capital Asset and Debt Administration (Continued)

The District's total investment in capital assets before depreciation increased by \$3,280,870 from \$42,412,888 to \$45,693,758. Significant additions to capital assets included:

- Dewatering and solar dryer #3 project (\$1,209,454)
- Triton 1500 Series Belt Filter press (\$239,596)
- Secondary process improvements - Plant #2 (\$162,849)
- Pump station W improvements (\$140,223)
- Well and pump station #7 (\$126,658)
- Cornell Park improvements and equipment (\$74,636)
- Community center land and buildings (\$810,000)

The following table displays the changes in District's capital assets, net of accumulated depreciation.

Town of Discovery Bay Community Services District's Capital Assets
(net of depreciation, in rounded dollars)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 415,930	\$ 293,930	\$ 307,000	\$ 267,000	\$ 722,930	\$ 560,930
Buildings and improvements	2,663,139	2,135,587	1,355,290	1,180,273	4,018,429	3,315,860
Treatment and collection	-	-	30,167,458	29,944,958	30,167,458	29,944,958
Structure and improvements	-	-	6,689,926	6,689,926	6,689,926	6,689,926
Equipment	146,299	79,965	999,628	890,241	1,145,927	970,206
Office furniture and equipment	7,450	4,309	-	-	7,450	4,309
Vehicles	55,424	55,424	382,778	356,928	438,202	412,352
Construction in progress	<u>86,218</u>	<u>11,582</u>	<u>2,417,218</u>	<u>502,765</u>	<u>2,503,436</u>	<u>514,347</u>
Total	3,374,460	2,580,797	42,319,298	39,832,091	45,693,758	42,412,888
Less accumulated depreciation	<u>(931,756)</u>	<u>(792,627)</u>	<u>(8,794,809)</u>	<u>(7,534,192)</u>	<u>(9,726,565)</u>	<u>(8,326,819)</u>
Net capital assets	<u>\$ 2,442,704</u>	<u>\$ 1,788,170</u>	<u>\$33,524,489</u>	<u>\$32,297,899</u>	<u>\$35,967,193</u>	<u>\$34,086,069</u>

Additional information on the District's capital assets can be found in Note E of the "Notes to Financial Statements" section.

Debt Administration

At June 30, 2013, the District had \$14,150,000 in debt outstanding as compared to \$0 for the prior year. During fiscal year 2013, the District received Series 2012 Enterprise Revenue Bonds to finance the acquisition and construction of certain improvements to the water and wastewater systems. Additional information regarding the District's debt can be found in Note F of this report.

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis

June 30, 2013

Economic Factors and Next Year's Budgets and Rates

The District has experienced moderate growth which is expected to continue over the next 3-5 years as the economy recovers. This growth will further create demand for water and wastewater services and additional capital facilities. These demands have been addressed in the District's capital improvement program. The District is currently in the process of reviewing rates for water and wastewater services to evaluate the District's financial needs and rate structure. The results of the rate study should be known during fiscal year 2013-2014.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's financial accountability and compliance with applicable laws for all those with an interest in the District's finances. Questions concerning any of the information provided in this report, or requests for additional financial information can be addressed to Town of Discovery Bay Community Services District, Attention: General Manager, 1800 Willow Lake Road, Discovery Bay, California 94505.

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Statement of Net Position

June 30, 2013

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Assets			
Current assets:			
Cash and investments	\$ 1,090,856	\$ 7,239,572	\$ 8,330,428
Restricted - cash and investments	-	12,451,709	12,451,709
Accounts receivable, net of allowance for doubtful accounts	20,335	440,777	461,112
Grant receivable	400,000	-	400,000
Advances on taxes	1,050	832	1,882
Due from other funds	2,040	-	2,040
Inventory	4,579	-	4,579
Non-current assets:			
Debt issuance costs-prepaid insurance, net	-	60,802	60,802
Capital assets, net of accumulated depreciation	<u>2,442,704</u>	<u>33,524,489</u>	<u>35,967,193</u>
Total assets	<u>3,961,564</u>	<u>53,718,181</u>	<u>57,679,745</u>
Deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities			
Current liabilities:			
Accounts payable	140,508	361,981	502,489
Accrued payroll	7,014	20,795	27,809
Interest payable	-	44,893	44,893
Deferred revenue	-	15,409	15,409
Due to other funds	2,337	-	2,337
Bonds payable-current	-	290,000	290,000
Non-current liabilities:			
Compensated absences	7,051	28,157	35,208
Bonds payable	-	13,860,000	13,860,000
Unamortized bond premium	<u>-</u>	<u>347,424</u>	<u>347,424</u>
Total liabilities	<u>156,910</u>	<u>14,968,659</u>	<u>15,125,569</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Net Position			
Net investment in capital assets	2,442,704	19,374,489	21,817,193
Unrestricted	<u>1,361,950</u>	<u>19,375,033</u>	<u>20,736,983</u>
Total net position	<u>\$ 3,804,654</u>	<u>\$ 38,749,522</u>	<u>\$ 42,554,176</u>

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

STATEMENT OF ACTIVITIES

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Statement of Activities

For the year ended June 30, 2013

		<u>Program revenues</u>		
	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Governmental activities				
General government	\$ 115,672	\$ -	\$ -	\$ -
Community center	89,411	808	3,189	-
Lighting and landscaping Zone 8	775,081	57,476	320	422,330
Lighting and landscaping Zone 9	<u>110,962</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>1,091,126</u>	<u>58,284</u>	<u>3,509</u>	<u>422,330</u>
Business-type activities				
Water	2,438,623	3,071,388	-	-
Sewer	3,091,672	4,062,360	-	-
Financing Authority	<u>778,171</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>6,308,466</u>	<u>7,133,748</u>	<u>-</u>	<u>-</u>
Total government	<u>\$ 7,399,592</u>	<u>\$ 7,192,032</u>	<u>\$ 3,509</u>	<u>\$ 422,330</u>

General revenues

Taxes

 Property taxes

 Homeowners property tax relief

Assessments

Investment income

Other income

Transfers

 Total general revenues and transfers

Change in net position

Net position, beginning of year

Net position, end of year

Net (expense) revenue and changes in net position

<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
\$ (115,672)	\$ -	\$ (115,672)
(85,414)	-	(85,414)
(294,955)	-	(294,955)
<u>(110,962)</u>	<u>-</u>	<u>(110,962)</u>
<u>(607,003)</u>	<u>-</u>	<u>(607,003)</u>
-	632,765	632,765
-	970,688	970,688
<u>-</u>	<u>(778,171)</u>	<u>(778,171)</u>
<u>-</u>	<u>825,282</u>	<u>825,282</u>
<u>(607,003)</u>	<u>825,282</u>	<u>218,279</u>
438,693	-	438,693
4,463	-	4,463
112,878	-	112,878
-	3,739	3,739
121,837	4,002	125,839
<u>-</u>	<u>-</u>	<u>-</u>
<u>677,871</u>	<u>7,741</u>	<u>685,612</u>
70,868	833,023	903,891
<u>3,733,786</u>	<u>37,916,499</u>	<u>41,650,285</u>
<u>\$ 3,804,654</u>	<u>\$ 38,749,522</u>	<u>\$ 42,554,176</u>

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

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

**Balance Sheet
Governmental Funds**

June 30, 2013

	<u>General fund</u>	<u>Special revenue funds</u>			<u>Total governmental funds</u>
		<u>Community center</u>	<u>Lighting and landscaping Zone 8</u>	<u>Lighting and landscaping Zone 9</u>	
Assets					
Cash and investments	\$ 8,001	\$ 457,070	\$ 470,480	\$ 155,305	\$ 1,090,856
Accounts receivable	20,335	-	-	-	20,335
Advances on taxes	-	-	1,050	-	1,050
Inventory	-	4,579	-	-	4,579
Due from other funds	-	-	-	2,040	2,040
Total assets	<u>\$ 28,336</u>	<u>\$ 461,649</u>	<u>\$ 471,530</u>	<u>\$ 157,345</u>	<u>\$ 1,118,860</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 19,408	\$ -	\$ 104,876	\$ 16,224	\$ 140,508
Accrued payroll	3,473	-	3,237	304	7,014
Due to other funds	-	-	2,337	-	2,337
Total liabilities	<u>22,881</u>	<u>-</u>	<u>110,450</u>	<u>16,528</u>	<u>149,859</u>
Fund balances					
Committed to:					
Community center	-	461,649	-	-	461,649
Lighting and landscaping Zone 8	-	-	361,080	-	361,080
Lighting and landscaping Zone 9	-	-	-	140,817	140,817
Unassigned	5,455	-	-	-	5,455
Total fund balances	<u>5,455</u>	<u>461,649</u>	<u>361,080</u>	<u>140,817</u>	<u>969,001</u>
Total liabilities and fund balances	<u>\$ 28,336</u>	<u>\$ 461,649</u>	<u>\$ 471,530</u>	<u>\$ 157,345</u>	<u>\$ 1,118,860</u>
Reconciliation to statement of net position					
Total governmental fund balances					\$ 969,001
Amounts reported for governmental activities in the statement of net position are different because:					
Grants receivable in governmental funds are not available to pay for current period expenditures					400,000
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds					2,442,704
Long-term liabilities are not due and payable in the current period, and, therefore, are not reported in the balance sheet of governmental funds					(7,051)
Net position of governmental activities					<u>\$ 3,804,654</u>

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

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds**

For the year ended June 30, 2013

	<u>General fund</u>	<u>Special revenue funds</u>		<u>Total governmental funds</u>	
		<u>Community center</u>	<u>Lighting and landscaping Zone 8</u>		<u>Lighting and landscaping Zone 9</u>
Revenues					
Property taxes	\$ -	\$ -	\$ 512,362	\$ -	\$ 512,362
Assessment income	-	-	-	112,878	112,878
Grant income	-	-	22,330	-	22,330
Homeowners property tax relief	-	-	4,463	-	4,463
Other	114,974	3,522	31,213	2,412	152,121
Contributions	-	3,189	320	-	3,509
Total revenues	<u>114,974</u>	<u>6,711</u>	<u>570,688</u>	<u>115,290</u>	<u>807,663</u>
Expenditures					
Repairs and maintenance	-	-	262,075	45,609	307,684
Utilities	-	-	130,395	17,010	147,405
Payroll	115,188	-	187,089	12,651	314,928
Other	484	18,996	30,029	8,911	58,420
Insurance	-	-	4,183	3,359	7,542
Professional fees	-	70,415	35,075	8,686	114,176
Capital outlay	-	-	791,080	2,583	793,663
Total expenditures	<u>115,672</u>	<u>89,411</u>	<u>1,439,926</u>	<u>98,809</u>	<u>1,743,818</u>
Net change in fund balances	(698)	(82,700)	(869,238)	16,481	(936,155)
Fund balances, beginning of year	<u>6,153</u>	<u>544,349</u>	<u>1,230,318</u>	<u>124,336</u>	<u>1,905,156</u>
Fund balances, end of year	<u>\$ 5,455</u>	<u>\$ 461,649</u>	<u>\$ 361,080</u>	<u>\$ 140,817</u>	<u>\$ 969,001</u>

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds (Continued)**

For the year ended June 30, 2013

Reconciliation to statement of activities

Net change in fund balances - governmental funds	\$ (936,155)
Amounts reported for governmental activities in the statement of net position are different because of the following:	
Depreciation expense related to capital assets is recognized in the statement of activities, but is not reported in the funds	(139,128)
Governmental funds report capital outlays as expenditures while governmental activities record depreciation expense to allocate those expenditures over the life of the assets	793,663
Change in compensated absences is recorded as an expense in the statement of activities	(1,844)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	<u>354,332</u>
Change in net position of governmental activities	<u>\$ 70,868</u>

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

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

**Statement of Net Position
Proprietary Funds**

June 30, 2013

	<u>Water fund</u>	<u>Sewer fund</u>	<u>Financing Authority fund</u>	<u>Total</u>
<u>Assets and Deferred Outflows of Resources</u>				
Current assets				
Cash and investments	\$ 2,869,508	\$ 4,370,064	\$ 12,451,709	\$ 19,691,281
Accounts receivable, net	236,158	204,619	-	440,777
Advances on taxes	<u>333</u>	<u>499</u>	<u>-</u>	<u>832</u>
Total current assets	<u>3,105,999</u>	<u>4,575,182</u>	<u>12,451,709</u>	<u>20,132,890</u>
Non-current assets				
Debt issuance cost - prepaid insurance	-	-	60,802	60,802
Debt service - installment receivable	-	-	22,250	22,250
Capital assets, net of accumulated depreciation	<u>5,934,932</u>	<u>25,873,385</u>	<u>1,716,172</u>	<u>33,524,489</u>
Total non-current assets	<u>5,934,932</u>	<u>25,873,385</u>	<u>1,799,224</u>	<u>33,607,541</u>
Deferred outflows of resources				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 9,040,931</u>	<u>\$ 30,448,567</u>	<u>\$ 14,250,933</u>	<u>\$ 53,740,431</u>
<u>Liabilities, Deferred Inflows of Resources and Net Position</u>				
Current liabilities (payable from current assets)				
Accounts payable	81,714	190,670	89,597	361,981
Accrued payroll	11,929	8,866	-	20,795
Interest payable	-	-	44,893	44,893
Deferred revenue	15,409	-	-	15,409
Bonds payable - current	<u>-</u>	<u>-</u>	<u>290,000</u>	<u>290,000</u>
Total current liabilities	<u>109,052</u>	<u>199,536</u>	<u>424,490</u>	<u>733,078</u>
Non-current liabilities				
Debt service - installment payable	-	22,250	-	22,250
Compensated absences	14,078	14,079	-	28,157
Bonds payable	-	-	13,860,000	13,860,000
Unamortized bond premium	<u>-</u>	<u>-</u>	<u>347,424</u>	<u>347,424</u>
Total non-current liabilities	<u>14,078</u>	<u>36,329</u>	<u>14,207,424</u>	<u>14,257,831</u>
Deferred inflows of resources				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position				
Net investment in capital assets	5,934,932	25,873,385	(12,433,828)	19,374,489
Unrestricted				
Board designated	1,887,507	2,731,260	-	4,618,767
Undesignated	<u>1,095,362</u>	<u>1,608,057</u>	<u>12,052,847</u>	<u>14,756,266</u>
Total net position	<u>8,917,801</u>	<u>30,212,702</u>	<u>(380,981)</u>	<u>38,749,522</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 9,040,931</u>	<u>\$ 30,448,567</u>	<u>\$ 14,250,933</u>	<u>\$ 53,740,431</u>

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

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

**Statement of Revenues, Expenses and Change in Net Position
Proprietary Funds**

For the year ended June 30, 2013

	<u>Water fund</u>	<u>Sewer fund</u>	<u>Financing Authority fund</u>	<u>Total</u>
Operating revenues				
Charges for services	\$ 3,016,157	\$ 3,768,485	\$ -	\$ 6,784,642
Connection fees	55,231	293,875	-	349,106
Other	-	10,756	-	10,756
Total operating revenues	3,071,388	4,073,116	-	7,144,504
Operating expenses				
Depreciation	212,069	1,048,548	-	1,260,617
Contract services	482,995	635,957	-	1,118,952
Repairs and maintenance	594,175	433,103	-	1,027,278
Payroll	395,872	281,222	-	677,094
Utilities	348,444	307,021	-	655,465
Professional fees	177,129	133,682	3,200	314,011
Miscellaneous	68,646	56,791	-	125,437
Insurance	37,711	73,814	2,097	113,622
Permits and fees	20,282	44,179	-	64,461
Chemicals	32,110	4,503	-	36,613
Directors' expenses	12,870	19,305	-	32,175
Telephone and communications	11,929	17,810	-	29,739
Supplies	9,150	14,845	-	23,995
Memberships	5,429	16,601	-	22,030
Staff training	4,579	3,295	-	7,874
Public communication	2,500	-	-	2,500
Total operating expenses	2,415,890	3,090,676	5,297	5,511,863
Operating income (loss)	655,498	982,440	(5,297)	1,632,641
Nonoperating revenues (expenses)				
Investment income	-	-	3,739	3,739
Bad debt expense	(29,487)	(996)	-	(30,483)
Bond issuance costs	-	-	(334,381)	(334,381)
Interest expense	-	-	(438,493)	(438,493)
Total nonoperating revenues (expenses)	(29,487)	(996)	(769,135)	(799,618)
Operating transfers in (out)	(56,428)	(337,023)	393,451	-
Change in net position	569,583	644,421	(380,981)	833,023
Net position, beginning of year	8,348,218	29,568,281	-	37,916,499
Net position, end of year	\$ 8,917,801	\$ 30,212,702	\$ (380,981)	\$ 38,749,522

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

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

**Statement of Cash Flows
Proprietary Funds**

For the year ended June 30, 2013

	Water <u>fund</u>	Sewer <u>fund</u>	Financing Authority <u>fund</u>	<u>Total</u>
Cash flows from operating activities				
Receipts from customers	\$ 2,964,353	\$ 4,057,984	\$ (22,250)	\$ 7,022,337
Payments to vendors and suppliers	(2,013,495)	(2,026,156)	23,498	(4,016,153)
Payments to employees and directors	(402,457)	(307,166)	-	(709,623)
Received from other funds for services	-	29,705	-	7,455
Net cash provided by operating activities	<u>548,401</u>	<u>1,754,367</u>	<u>1,248</u>	<u>2,304,016</u>
Cash flows from non-capital financing activities				
Issuance of bonds	-	-	14,150,000	14,150,000
Cost of issuance	-	-	(334,381)	(334,381)
Interest payments on bonds payable	-	-	(393,600)	(393,600)
Premium on bonds	-	-	347,424	347,424
Transfers in	-	-	393,451	393,451
Transfers out	(56,428)	(337,023)	-	(393,451)
Net cash provided by (used in) non-capital financing activities	<u>(56,428)</u>	<u>(337,023)</u>	<u>14,162,894</u>	<u>13,769,443</u>
Cash flows from capital and related financing activities				
Acquisition of capital assets	(111,898)	(636,888)	(1,716,172)	(2,464,958)
Net cash used in capital and related financing activities	<u>(111,898)</u>	<u>(636,888)</u>	<u>(1,716,172)</u>	<u>(2,464,958)</u>
Cash flows from investing activities				
Interest income	-	-	3,739	3,739
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>3,739</u>	<u>3,739</u>
Net increase in cash and cash equivalents	380,075	780,456	12,451,709	13,612,240
Cash and cash equivalents, beginning of year	<u>2,489,433</u>	<u>3,589,608</u>	<u>-</u>	<u>6,079,041</u>
Cash and cash equivalents, end of year	<u>\$ 2,869,508</u>	<u>\$ 4,370,064</u>	<u>\$ 12,451,709</u>	<u>\$19,691,281</u>
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ 655,498	\$ 982,440	\$ (5,297)	\$ 1,632,641
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	212,069	1,048,548	-	1,260,617
Change in assets and liabilities				
Accounts receivable	(114,046)	(15,131)	(22,250)	(151,427)
Due from other funds	-	29,705	-	29,705
Debt issuance costs - prepaid insurance	-	-	(60,802)	(60,802)
Accounts payable	(218,416)	(284,556)	89,597	(413,375)
Accrued payroll	1,938	(6,120)	-	(4,182)
Compensated absences	4,347	(519)	-	3,828
Deferred revenue	7,011	-	-	7,011
Net cash provided by operating activities	<u>\$ 548,401</u>	<u>\$ 1,754,367</u>	<u>\$ 1,248</u>	<u>\$ 2,304,016</u>

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

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2013

Note A - Summary of Significant Accounting Policies

This summary of significant accounting policies of the Town of Discovery Bay Community Services District (the District) is presented to assist in understanding the District's financial statements.

Description of the reporting entity

The Town of Discovery Bay Community Services District, formerly known as Discovery Bay Community Services District was formed by the residents of Discovery Bay under the authority of the Cortese-Knox Act (Gov. C. Sec. 56000). This newly formed special district was formed as a result of a petition of residents to provide services to the residents of Discovery Bay. Effective July 1, 1998, the District assumed the responsibilities, funding, and assets previously held by the dissolved Sanitation District #19. During November 1998, the residents of Discovery Bay voted to activate the latent powers of the District to include recreation; specifically, to acquire, fund, and operate a Community Center.

Effective August 13, 2003, the Local Agency Formation Commission (LAFCO) of Contra Costa County dissolved County Service Area M-8 and annexed the territory to the Town of Discovery Bay Community Services District. The District is responsible for maintaining the lighting, landscaping, and parks within Service Area M-8 of the Town of Discovery Bay.

The Town of Discovery Bay Community Services District formed an assessment district known as Ravenswood Improvement District - Discovery Bay Lighting and landscaping Zone 9 for the purpose of providing for the operation and maintenance of landscaping, parks and open space in the subdivision known as Ravenswood.

The purpose of the Town of Discovery Bay Community Services District, a multipurpose independent district, is to represent the residents of Discovery Bay in any matters covered under the California Government Code relating to a Community Services District. In addition to the purposes listed in the Government Code, the District has been ordered by LAFCO and the Board of Supervisors to perform an advisory role for the residents of Discovery Bay. This role includes, but is not limited to, advising the County in matters of land use planning, zoning, compliance, roads and streets, lighting, landscaping, parks and public safety services. The District also provides water and sewer services to the Town of Discovery Bay.

As required by accounting principles generally accepted in the United States of America and the Governmental Accounting Standards Board, these financial statements present the government and its component units, entities for which the government is considered to be

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2013

Note A - Summary of Significant Accounting Policies (Continued)

financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government.

The District's financial reporting entity is composed of the following:

Primary Government:	Town of Discovery Bay Community Services District
Blended Component Unit:	Discovery Bay Public Financing Authority

In determining the financial reporting entity, the District complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Blended Component Units

The Town of Discovery Bay Community Services District (the District) and the Byron Bethany Irrigation District entered into a Joint Exercise of Powers Agreement dated July 1, 2012, forming the Discovery Bay Public Financing Authority (the Authority). The Authority is authorized to borrow money for the purpose of assisting the District in financing various public capital improvements and facilities. The Authority issued revenue bonds in order to fund such expenditures. The Authority is controlled by the District and has the same governing body as the District, which also performs all accounting and administrative functions for the Authority. The financial activities of the Authority have been included (termed "blended") in these financial statements in the business-type activities.

Government-wide financial statements

The Statement of Net Position and Statement of Activities display information about the primary government, the District and its blended component unit. These statements include the financial activities of the overall District government, except for fiduciary activities.

Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2013

Note A - Summary of Significant Accounting Policies (Continued)

of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program, and (c) fees, grants, and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund financial statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. The District presently has no fiduciary funds. An emphasis is placed on major funds within the governmental and enterprise categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

The General Fund is the primary operating fund of the District and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the District. The reporting entity includes the following special revenue funds, all of which are reported as major funds:

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2013

Note A - Summary of Significant Accounting Policies (Continued)

<u>Fund</u>	<u>Brief description</u>
Community Center	Accounts for revenues and expenditures of acquiring, funding, and operating a community center.
Lighting and landscaping Zone 8	Accounts for revenues and expenditures related to maintenance of street lighting and landscaping facilities and services; local parks and recreation facilities and services; parkway facilities and services; and open space facilities and services Zone 8.
Lighting and landscaping Zone 9	Accounts for revenues and expenditures related to operation and maintenance of landscaping, parks and open space in the subdivision known as Ravenswood.

Proprietary Funds

Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise funds, all of which are reported as major funds:

<u>Fund</u>	<u>Brief description</u>
Water Fund	Accounts for the activities of providing water services to the residents of the District. All activities necessary to provide such services are accounted for in this fund, including administration, operations, capital improvements, maintenance, financing and related debt service, and billing and collection.
Sewer Fund	Accounts for the activities associated with operating and maintaining the Districts collection and treatment of wastewater. All activities necessary to provide such services are accounted for in this fund, including administration, operations, capital improvements, maintenance, financing and related debt service, and billing and collection.
Financing Authority Fund	Accounts for facilitating the financing of public capital improvements and facilities for the District's water and wastewater system. All activities necessary to provide such services are accounted for in this fund, including administration, operations, capital improvements, maintenance, financing and related debt, and billing and collection.

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2013

Note A - Summary of Significant Accounting Policies (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The District's operating revenues include all revenues derived from water and sewage services. The enterprise funds also recognize as operating revenue, the portion of tap fees, connection fees and impact fees intended to recover the cost of connecting new customers to the system. Operating expenses include all costs related to water and sewage services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses, except for capital contributions, which represent capital contributions collected for the acquisition or construction of capital assets.

In accordance with GASB Statement No. 62, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the District applies all GASB pronouncements currently in effect as well as FASB Statements and Interpretations, APB Opinions, and ARBs of the Committee on Accounting Procedures issued on or before November 30, 1989.

Measurement focus

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2013

Note A - Summary of Significant Accounting Policies (Continued)

Basis of accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Cash and investments

For the purpose of financial reporting "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

Restricted cash and cash equivalents includes proceeds from the 2012 enterprise revenue bonds related to special projects, which are estimated for capital projects and repayment of bonds.

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2013

Note A - Summary of Significant Accounting Policies (Continued)

Accounts receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The District provides for losses on accounts receivable using the allowance method. The allowance is based on historical experience and management's evaluation of outstanding accounts receivable.

Inventory

Inventory held in the special revenue fund is carried at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital assets

Capital assets are reported in the applicable governmental or business-type activities columns of the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost. The District's policy is to capitalize all assets with costs exceeding certain minimum thresholds and with useful lives exceeding two years.

Depreciation has been provided on capital assets and is charged as an expense against operations each year. The total amount of depreciation taken over the years is reported on the statement of net position as a reduction in the book value of capital assets.

Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The District has assigned the useful lives listed below to capital assets.

Structures and improvements	5-50 years
Equipment	5-25 years
Vehicles	5 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Compensated absences

Compensated absences are accrued as earned by employees, and consist of accruals for vacation time. The District's liability for compensated absences is reported in the Statement of Net Position for governmental activities in the government-wide financial statements.

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2013

Note A - Summary of Significant Accounting Policies (Continued)

Net position

Equity in the financial statements is classified as net position and displayed in three components as follows:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted - Consists of restricted assets reduced by liabilities and deferred inflows of resources related to these assets.
- c. Unrestricted - Amounts not required to be reported in other components of net position.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund balances

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components: nonspendable, restricted, committed, assigned and unassigned.

Nonspendable - includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted - includes amounts that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the District to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed - includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority which includes the District charter, ordinances and resolutions. Those committed amounts cannot be used for any other purpose unless the District removes or

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2013

Note A - Summary of Significant Accounting Policies (Continued)

changes the specified use by taking the same type of action (District charter, ordinance and resolution) it employed previously to commit those amounts.

Assigned - includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The authority for assigning fund balance is expressed by the Board of Trustees, District manager or their designee as established in the District's Fund Balance Policy.

Unassigned - includes amounts that have not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the District's policy to use committed resources first, then assigned, and then unassigned as they are needed.

Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Net Position and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

1. Interfund loans - Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund services - Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements - Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
4. Interfund transfers - Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2013

Note A - Summary of Significant Accounting Policies (Continued)

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal balances - Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
2. Internal activities - Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers - Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.

Property taxes

Property taxes and property assessments were levied January 1, 2012, assessed July 1, 2012 and were payable in two installments on December 10, 2012 and April 10, 2013. The County of Contra Costa bills and collects property taxes on behalf of the District.

Utility sales

Utility sales are billed on a monthly basis. Estimated unbilled utility revenue through June 30 has been accrued at year-end for the enterprise funds.

Contributed capital

Effective August 13, 2003, the District recorded contributed capital to transfer funds from County Service M-8 to Lighting and landscaping Zone 8. The Lighting and landscaping Zone 8 district became the responsibility of the District on August 13, 2003. The contributed capital represents all capital assets and assets transferred to the District.

The District has received \$18,757,813 of noncash capital contributions from developers consisting of water and sewer infrastructure.

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2013

Note A - Summary of Significant Accounting Policies (Continued)

Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the basic financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

Budgetary accounting

The District does not adopt appropriated budgets. However, the District does adopt non-appropriated budgets annually, which are approved by the Board of Directors.

Long-lived assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

New accounting pronouncements

The District implemented Government Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, for the year ended June 30, 2013. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources which are distinct from assets and liabilities and amends the net asset reporting requirements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

In March 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement amends or supersedes the accounting and financial reporting guidance for certain items previously required to be reported as assets or liabilities. In addition, it amends or supersedes requirements for the determination of major funds and addresses other statement of net position and governmental funds balance sheet presentation issues. The District will be required to implement the provisions of this Statement for the year ended June 30, 2014. This Statement will not have a material impact on the financial statements.

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2013

Note B - Cash and Investments

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

Statement of net position:	
Cash and investments	\$ 8,330,428
Restricted cash and investments	<u>12,451,709</u>
Total cash and investments	<u>\$ 20,782,137</u>

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

Deposits with financial institutions	\$ 1,136,791
Contra Costa County Treasurer	7,186,911
Investments	<u>12,458,435</u>
	<u>\$ 20,782,137</u>

<u>Investment Type</u>	<u>Carrying value</u>	<u>Fair value</u>
Certificate of Deposit	\$ 6,726	\$ 6,726
Mutual Funds	<u>12,451,709</u>	<u>12,451,709</u>
	<u>\$ 12,458,435</u>	<u>\$ 12,458,435</u>

The District maintains a cash and investment pool that is available for use by all funds except for the Lighting and landscaping fund whose investments were directed by Contra Costa County. Each fund type's portion of this pool is displayed on the statement of net position and balance sheet as "cash and investments". Cash balances from all participating funds are combined and invested to the extent possible, pursuant to the Board of Directors approved Investment Policy and guidelines, and the California Government Code Section 53600.

The Government Code and the District's Investment Policy allow investments in the following instruments:

<u>Investment Type</u>	<u>Maximum Maturity</u>	<u>Authorized Limit%</u>	<u>Required Rating</u>
Local Agency Bonds	N/A	None	None
U.S. Treasury Bills, Notes or Bonds	N/A	None	None
State Registered Warrants, Notes, or Bonds	N/A	None	None
Notes and bonds of other Local California Agencies including pooled investment accounts	N/A	None	None
U.S. Agencies	N/A	None	None

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2013

Note B - Cash and Investments (Continued)

<u>Investment Type</u>	<u>Maximum Maturity</u>	<u>Authorized Limit%</u>	<u>Required Rating</u>
Bankers Acceptances	270 days	40%	None
Prime Commercial Paper	180 days	15% or 30%	A1/P1
Negotiable Certificates of Deposit	N/A	30%	None
Repurchase and Reverse Repurchase Agreements	N/A	None/20%	None
Medium Term Corporate Notes	5 years	30%	A
Money Market Mutual Funds	N/A	15%	2-AAA
Collateralized Bank Deposits	N/A	None	None
Mortgage Pass-Through Securities	5 years	30%	AA
Funds held under the Terms of a Trust Indenture or other contract	*	*	*

*Such funds may be invested according to the provisions of those indentures or agreements.

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. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

<u>Investment Type</u>	<u>Totals</u>	<u>12 months or less</u>	<u>13 - 24 months</u>	<u>25-36 months</u>	<u>37 - 48 months</u>	<u>49 - 60 months</u>	<u>More than 60 months</u>
Certificate of Deposit	\$ 6,726	\$ -	\$ 6,726	\$ -	\$ -	\$ -	\$ -
Mutual Funds	<u>12,451,709</u>	<u>12,451,709</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$12,458,435</u>	<u>\$12,451,709</u>	<u>\$ 6,726</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2013

Note B - Cash and Investments (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Fiscal Year End</u>				<u>As of Investment</u>
				<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Not Rated</u>	
Certificate of Deposit	\$ 6,726	N/A	\$ -	\$ -	\$ -	\$ -	\$ 6,726	1%
Mutual Funds	<u>12,451,709</u>	<u>N/A</u>	<u>-</u>	<u>12,451,709</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>99%</u>
Total	<u>\$ 12,458,435</u>	<u>N/A</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,726</u>	<u>100%</u>

Concentration of Credit Risk

The investment policy of the District contains limitations on the amount that can be invested in certain types of investments.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposit or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2013

Note B - Cash and Investments (Continued)

Deposits with financial institutions and Contra Costa County Treasurer

Cash on deposit in commercial accounts is insured by the Federal Deposit Insurance Corporation (FDIC). Cash held by the Contra-Costa County Treasury is pooled with other County deposits for investment purposes by the County Treasurer in accordance with the investment policy of the County Treasurer (see County Treasurer's investment policy at <http://www.co.contra-costa.ca.us/>). The Pool has established a treasury oversight committee to monitor and review the management of public funds maintained in the Pool.

Participants' equity in the investment pool is determined by the dollar amount of the participant deposits, adjusted for withdrawals and distributed investment income. Investment income is prorated to individual funds based on their average daily cash balances. The value of the District shares in the Pool, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the District's position in the Pool. The District's investment in the Pool is unrated, stated at cost which approximates fair value, available upon demand and considered cash equivalents.

Note C - Accounts Receivable, Net

The accounts receivable, net balance consists of the following balances as of June 30, 2013:

	<u>General</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Accounts receivable	\$ 20,335	\$ 272,250	\$ 227,758	\$ 520,343
Allowance for uncollectible	-	(36,092)	(23,139)	(59,231)
Accounts receivable, net	<u>\$ 20,335</u>	<u>\$ 236,158</u>	<u>\$ 204,619</u>	<u>\$ 461,112</u>

Note D - Interfund Transactions

Interfund transactions consist of the following:

Transfers between funds

Resources may be transferred from one District fund to another with approval. The purpose of the majority of transfers is to reimburse a fund which has made an expenditure on behalf of another fund. Less often, a transfer may be made to open or close a fund.

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2013

Note D - Interfund Transactions (Continued)

Transfers between funds during the year ended June 30, 2013 were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds		
Lighting and landscaping Zone 8 Fund	\$ -	\$ 2,337
Lighting and landscaping Zone 9 Fund	<u>2,040</u>	<u>-</u>
Total interfund transfers	<u>\$ 2,040</u>	<u>\$ 2,337</u>

In general, the District uses interfund transfers to:

- Transfer unrestricted revenues collected in the water and sewer fund to help finance various programs and capital projects accounted for in other funds
- Fund operations (move revenues from the funds that collect them to the funds that statute or budget requires to expend them)
- Fund interdepartmental cost reimbursement
- Fund capital projects

The effect of the interfund activity has not been eliminated from the government-wide financial statements as the amounts relate to transfers between governmental and business-type activities. The transfers have resulted from deposits made by Contra Costa County into the Sewer and Water Fund for revenues of the Community Center Special Revenue Fund.

Note E - Capital Assets

Capital asset activity for the year ended June 30, 2013, is as follows:

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance June 30, 2013</u>
Governmental activities					
Nondepreciable capital assets					
Land	\$ 293,930	\$ 122,000	\$ -	\$ -	\$ 415,930
Construction in progress	<u>11,582</u>	<u>74,636</u>	<u>-</u>	<u>-</u>	<u>86,218</u>
Total nondepreciable capital assets	<u>305,512</u>	<u>196,636</u>	<u>-</u>	<u>-</u>	<u>502,148</u>
Depreciable capital assets					
Equipment	79,965	66,334	-	-	146,299
Buildings and improvements	2,135,587	527,552	-	-	2,663,139
Office furniture and equipment	4,309	3,141	-	-	7,450
Vehicles	<u>55,424</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,424</u>
Total depreciable capital assets	2,275,285	597,027	-	-	2,872,312
Less accumulated depreciation	<u>(792,627)</u>	<u>(139,129)</u>	<u>-</u>	<u>-</u>	<u>(931,756)</u>
Net depreciable capital assets	<u>1,482,658</u>	<u>457,898</u>	<u>-</u>	<u>-</u>	<u>1,940,556</u>
Net capital assets	<u>\$ 1,788,170</u>	<u>\$ 654,534</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,442,704</u>

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2013

Note E - Capital Assets (Continued)

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance June 30, 2013</u>
Business-type activities					
Nondepreciable capital assets					
Land	\$ 267,000	\$ 40,000	\$ -	\$ -	\$ 307,000
Construction in progress	<u>502,765</u>	<u>2,114,703</u>	<u>-</u>	<u>(200,250)</u>	<u>2,417,218</u>
Total nondepreciable capital assets	<u>769,765</u>	<u>2,154,703</u>	<u>-</u>	<u>(200,250)</u>	<u>2,724,218</u>
Depreciable capital assets					
Buildings and improvements	1,180,273	175,017	-	-	1,355,290
Treatment and collection	29,944,958	22,250	-	200,250	30,167,458
Structures and improvements	6,689,926	-	-	-	6,689,926
Equipment	890,241	109,387	-	-	999,628
Vehicles	<u>356,928</u>	<u>25,850</u>	<u>-</u>	<u>-</u>	<u>382,778</u>
Total depreciable capital assets	39,062,326	332,504	-	200,250	39,595,080
Less accumulated depreciation	<u>(7,534,192)</u>	<u>(1,260,617)</u>	<u>-</u>	<u>-</u>	<u>(8,794,809)</u>
Net depreciable capital assets	<u>31,528,134</u>	<u>(928,113)</u>	<u>-</u>	<u>200,250</u>	<u>30,800,271</u>
Net capital assets	<u>\$ 32,297,899</u>	<u>\$ 1,226,590</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,524,489</u>

Depreciation expense was charged to function and programs based on their usage of the related assets. The amounts allocated to each function or program were as follows:

Governmental activities:

Lighting and landscaping Zone 8	\$ 127,918
Lighting and landscaping Zone 9	<u>11,211</u>
Total depreciation expense - Governmental activities	<u>\$ 139,129</u>

Business-type activities:

Water	\$ 212,069
Sewer	<u>1,048,548</u>
Total depreciation expense - Business-type activities	<u>\$ 1,260,617</u>

Note F - Long-Term Debt

The District generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt.

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2013

Note F - Long-Term Debt (Continued)

Government-Wide Financial Statements

Long-term debt and other financial obligations are reported as liabilities in the appropriate activities. Bond premiums are deferred and amortized over the life of the bonds using the straight-line method.

Fund Financial Statements

The Governmental Fund Financial Statements do not include the long-term debt, as this liability is not payable in the current period. The face amount of debt issued and any premiums received are reported as other financing sources.

Proprietary Fund Financial Statements use the same principles as those used in the Government-Wide Financial Statements.

Bond Issuance Costs and Premiums

For proprietary fund types, bond premiums are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium. With the implementation of Government Accounting Standards Board (GASB) Statement No. 65, the bond issuance costs, other than prepaid insurance, are required to be expensed in the year incurred.

Current year business-type transactions and balances

The District's debt issues and transactions are summarized below and discussed in detail thereafter:

	<u>Original Amount</u>	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2013</u>	<u>Due within one year</u>
Business-type Activity Debt						
Discovery Bay Public Financing Authority Series 2012 Enterprise Revenue Bonds	\$ 14,150,000	\$ -	\$ 14,150,000	\$ -	\$ 14,150,000	\$ 290,000
Unamortized Premium	<u>362,346</u>	<u>-</u>	<u>362,346</u>	<u>(14,923)</u>	<u>347,423</u>	<u>-</u>
Totals	<u>\$ 14,512,346</u>	<u>\$ -</u>	<u>\$ 14,512,346</u>	<u>\$ (14,923)</u>	<u>\$ 14,497,423</u>	<u>\$ 290,000</u>

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2013

Note F - Long-Term Debt (Continued)

2012 Enterprise Revenue Bonds

In August 2012, the Discovery Bay Public Financing Authority issued \$14,150,000 in enterprise revenue bonds Series 2012 to finance the acquisition and construction of certain improvements to the water and wastewater systems.

Pursuant to an Installment Purchase Agreement between the Authority and the District, the District has pledged the net revenues of the District's municipal water enterprise and wastewater enterprise.

The bonds carry coupon interest rates ranging from 1.00%-5.00% and are scheduled to mature in fiscal year 2043. Interest is payable semi-annually on December 1st and June 1st each year, while principal installments ranging from \$290,000 to \$805,000 are payable each year on December 1st.

Annual debt service requirements for business-type debt are shown below:

<u>For the year ending June 30,</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 290,000	\$ 535,329
2015	295,000	529,471
2016	305,000	521,675
2017	310,000	516,054
2018	310,000	512,502
2019-2023	1,670,000	2,445,498
2024-2028	1,985,000	2,139,537
2029-2033	2,370,000	1,744,344
2034-2038	2,930,000	1,186,279
2039-2043	3,685,000	425,388
Total	\$ 14,150,000	\$ 10,556,077

Note G - Deferred Compensation Plan

Employees of the District may participate in a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The deferred compensation plan is available to all full-time employees of the District. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency. Total employee contributions to the plan during the year ended June 30, 2013 were \$17,700.

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2013

Note H - Compensated Absences

Employees accrue vacation leave based on length of service. Accumulated vacation leave is subject to maximum accruals for all employees. As of June 30, 2013, the District's accrued liability for accumulated unused vacation leave is \$35,208. Employees are paid for their accumulated unused vacation leave upon separation from service. The liability is expected to be liquidated with future resources and not with expendable available financial resources.

Note I - Joint Venture (Joint Powers Agreement)

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; risk of loss to employees; and natural disasters.

In order to insure for risks of loss, the District participates in a joint venture under a joint powers agreement with the Special Districts Risk Management Authority (SDRMA). The relationship between the District and the SDRMA is such that the SDRMA is not a component unit of the District for financial reporting purposes.

The SDRMA arranges for and provides property, liability and worker's compensation coverage for its member districts. The Town of Discovery Bay Community Services District participates in all programs.

Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the SDRMA. The District's share of surpluses and deficits cannot be determined, although District management does not expect such amounts, if any, to be material in relation to the financial statements.

The District is covered by the following types of insurance through the SDRMA as of June 30, 2013:

<u>Coverage</u>	<u>Limits of liability</u>
General liability	\$ 10,000,000
Public officials and employees errors	10,000,000
Personal liability coverage for board members	500,000
Employment practices liability	10,000,000
Employee benefits liability	10,000,000
Employee dishonesty coverage	400,000
Auto liability	10,000,000
Uninsured/underinsured motorists	750,000
Property coverage	1,000,000,000
Boiler and machinery	100,000,000
Statutory workers' compensation	Statutory

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2013

Note J - Governing Board

The powers of the District are exercised by a Board of Directors consisting of five directors each elected for a term of four years by the qualified electors within the District.

As of June 30, 2013, the members of the District's Board of Directors were as follows:

<u>Director</u>	<u>Term expires</u>
Kevin Graves	December 2014
Mark Simon	December 2016
Bill Pease	December 2016
Chris Steele	December 2014
Marianne Wiesen	December 2014

Note K - Contingencies and Commitments

The District is involved in litigation arising in the ordinary course of operations that, in the opinion of management, will not have a material effect on the financial condition of the District. In addition, the District has entered into construction and service contracts with various companies. Many of the contracts are considered fixed fee arrangements. However, work under these contracts could be discontinued at the direction of the District. Therefore, it is the opinion of management that a fixed commitment does not exist.

