Groveland Community Services District

Tuolumne County
Groveland, California

Financial Statements with
Independent Auditor's Report

Year Ended June 30, 2013

GROVELAND
COMMUNITY SERVICES DISTRICT

TUOLUMNE COUNTY
GROVELAND, CALFORNIA

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2013

GROVELAND COMMUNITY SERVICES DISTRICT

TABLE OF CONTENTS
JUNE 30, 2013

FINANCIAL SECTION

BRYANT L. JOLLEY
CERTIFIED PUBLIC ACCOUNTANTS

Bryant L. Jolley C.P.A.
Ryan P. Jolley C.P.A.
Darryl L. Smith C.P.A.
Travis B. Evenson

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Groveland Community Services District
Groveland, California

Report on the Financial Statements

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 Groveland 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 controls 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 from material misstatement.

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

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

901 "N" STREET, SUITE 104 FIREBAUGH, CALIFORNIA 93622 PHONE 559.659.3045 FAX 559.659.0615

Opinions

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 Groveland Community Services District, as of June 30, 2013, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principles

As discussed in Note 1(C) to the financial statements, effective July 1, 2012, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and and AICPA Pronouncements*, Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Budgetary Comparison Schedules, and Schedules of Funding Progress on pages 3 through 10 and 39 through 41 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2014 on our consideration of the Groveland Community Services District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

January 27, 2014

GROVELAND COMMUNITY SERVICES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

As management of the Groveland Community Services District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2013. We encourage the readers to consider the information presented here in conjunction with the District financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis provided here are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements. This report also includes required supplementary information intended to furnish additional detail to support the basic financial statements.

- **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position. These statements are intended to provide the reader with a broad overview of the District's finances in a manner that is similar to private-sector businesses.

    - The *statement of net position* presents financial information on all of the District's assets, liabilities, and deferred outflows of resources, with the difference reported as net position. Increases or decreases in the net position of the District over time are indicators of whether its financial position is improving or deteriorating, respectively.

    - The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regarding of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods.

    - Both of the government-wide financial statements distinguish functions of the District that are principally supported by property taxes (*governmental activities*) or from other functions that are intended to recover all or a significant portion of their costs through charges for services (*business-type activities*). The governmental activities include fire protection and parks and recreation. The business-type activities of the District include water, sewer and the Davis-Grunsky fund.

- **Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control of resources that have been segregated for specific activities or objectives. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and the fiduciary fund.

    - **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 funds focus on near-term inflows and outflows of spendable resources. Such information may be useful in assessing a government's near-term financial requirements. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided as a separate reconciliation to the governmental fund statements that explains the differences (or relationships) between them.

- **Proprietary Funds - Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail.

- **Fiduciary Funds-**The District is responsible for the administration of the Improvement Districts (Sewer Assessment District Nos. 3 and 4) formed under the Municipal Improvement Act of 1911. The District is not obligated to repay the special assessment debt of these special assessment districts. Tuolumne County (the County) functions as an agent for the property owners by collecting assessments and forwarding collections to the special-assessment debt-holders. The County has sufficient funds on hand to pay off these debts.

- **Notes to the financial statements**, which are included in the financial statements, provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

- The **Required supplementary information** section provides further explanations and additional support for the financial statements. The District's budget to actual comparisons for the year are included for the Fire Protection Fund and the Parks and Recreation Fund (major special revenue funds).

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflow of resources exceeded liabilities by $9,171,461 (net position) at June 30, 2013.

By far, the largest portion of the District's net position (88.7%) reflects its investment in capital assets (e.g., land, structures and improvements, equipment and vehicles) less any related outstanding debt that was used to acquire those assets. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources used to pay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining balance of $1,036,519 is unrestricted and may be used to meet the government's ongoing obligations.

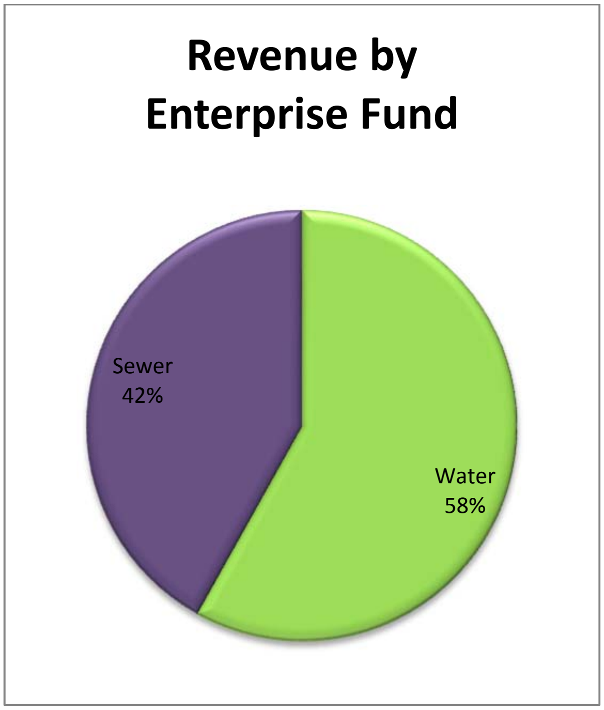
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current assets and other assets	$ 1,179,407	$ 999,167	$ 3,860,021	$ 4,653,367	$ 5,039,428	$ 5,652,534
Capital assets	944,279	1,046,372	15,599,484	16,986,947	16,543,763	18,033,319
Total assets	2,123,686	2,045,539	19,459,505	21,640,314	21,583,191	23,685,853
Total deferred outflows of resources	-	-	419,053	-	419,053	-
Long-term liabilities	247,222	331,060	11,712,961	12,214,902	11,960,183	12,545,962
Other liabilities	144,884	26,833	725,716	665,785	870,600	692,618
Total liabilities	392,106	357,893	12,438,677	12,880,687	12,830,783	13,238,580
Total deferred Inflows of resources	-	-	-	132,169	-	132,169
Net position:						
Net investment in capital assets	944,279	1,042,773	7,190,663	8,130,624	8,134,942	9,173,397
Unrestricted	787,301	644,873	249,218	496,834	1,036,519	1,141,707
Total net position	$ 1,731,580	$ 1,687,646	$ 7,439,881	$ 8,627,458	$ 9,171,461	$ 10,315,104

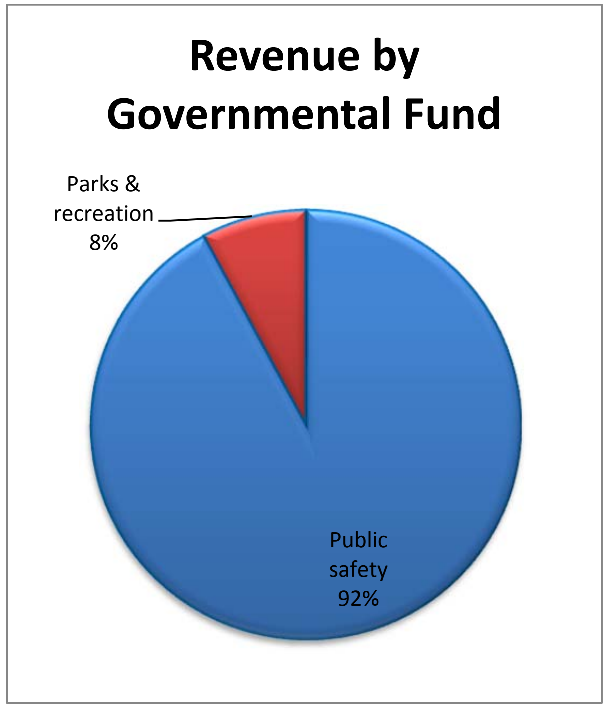
Changes in Net Position

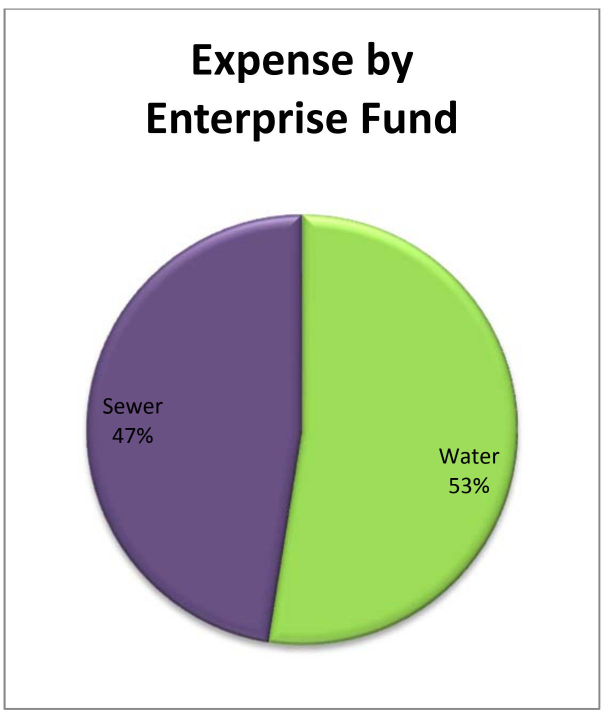
Governmental Activities. During the year ended June 30, 2013, net position for governmental activities increased by $43,934 from the prior year for an ending balance of $1,731,580. Although the current recession certainly has had an impact on the District's property tax revenue, management has taken various actions to reduce expenses to neutralize its effect on governmental activities.

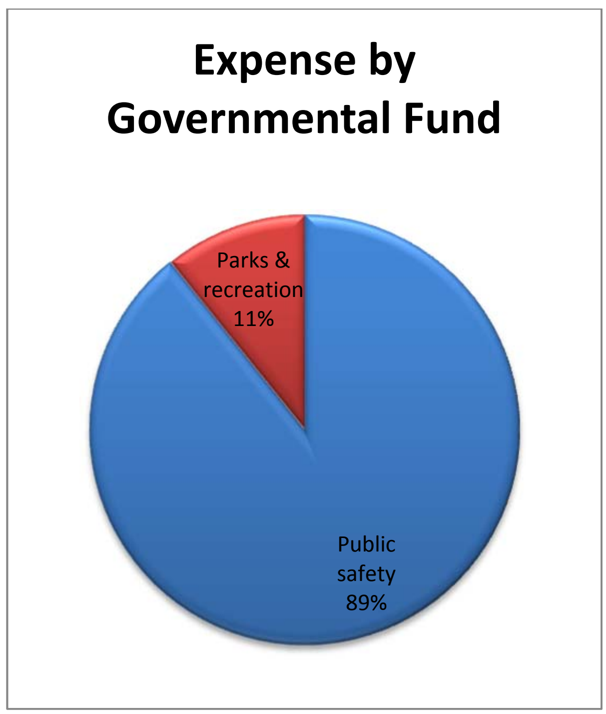
Business-Type Activities. For the District's business-type activities, the net position decreased by $1,058,201 for the year ended June 30, 2013 to reach and ending balance of $7,439,881. The decrease, in large part, is due to the loss on disposal of capital assets, the settlement expense and the annual depreciation expense. For the year ended June 30, 2012, it was estimated that the total settlement for the civil liability order with The California Regional Water Quality Board, Central Valley Region would be $187,500. The District entered into a settlement agreement during the year ended June 30, 2013 and the additional current year settlement expense of $187,500 is the adjustment to the actual liability of $375,000. $187,500 will be paid in four equal installments and $187,500 that will be used on a treatment plant upgrade, which the District has five years to install.

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Program revenues:						
Charges for services	$ 1,304	$ 1,845	$ 4,456,285	$ 4,407,512	$ 4,457,589	$ 4,409,357
General revenues:						
Property taxes	942,269	1,269,155	10,252	10,574	952,521	1,279,729
Interest income	2,541	2,070	20,417	68,667	22,958	70,737
Other revenues	48,122	38,865	10,746	38,164	58,868	77,029
Total revenues	994,236	1,311,935	4,497,700	4,524,917	5,491,936	5,836,852
Expenses:						
Public safety	848,097	1,358,590	-	-	848,097	1,358,590
Parks and recreation	102,163	125,727	-	-	102,163	125,727
Water	-	-	2,917,029	2,795,386	2,917,029	2,795,386
Davis-Grunsky	-	-	1,719	1,949	1,719	1,949
Sewer	-	-	2,637,153	2,292,820	2,637,153	2,292,820
Interest	42	265	-	-	42	265
Total expenses	950,302	1,484,582	5,555,901	5,090,155	6,506,203	6,574,737
Change in net position	43,934	(172,647)	(1,058,201)	(565,238)	(1,014,267)	(737,885)
Net position - beginning	1,687,646	1,860,293	8,498,082	9,063,320	10,185,728	10,923,613
Net position - ending	$ 1,731,580	$ 1,687,646	$ 7,439,881	$ 8,498,082	$ 9,171,461	$ 10,185,728


Revenue by
Enterprise Fund
Sewer
42%
Water
58%


Revenue by
Governmental Fund
Parks &
recreation
8%
Public
safety
92%


Expense by
Enterprise Fund
Sewer
47%
Water
53%


Expense by
Governmental Fund
Parks &
recreation
11%
Public
safety
89%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Changes in Net Fund Balance/Net Position

Governmental fund balances. As stated previously, although the current recession certainly has had an impact on the District's property tax revenue, management has taken various actions to reduce expenses to neutralize its effect on governmental activities. As a result, the governmental fund balances have increased in the current year.

The **Water Fund** generated operating income of $63,974, which is offset by nonoperating revenues and expenses. The primary offset was interest expense on long-term debt of $363,187 that resulted in a decrease in net position of $302,759.

The **Sewer Fund** generated operating income of $5,856. The primary nonoperating expenses that offset the operating income was $179,885 in interest expense, $344,983 for the loss on disposal of capital assets and $187,500 settlement expense. The end result was a $753,730 decrease in net position.

	2013	2012	Increase (Decrease)
Governmental Fund Balance:			
Fire protection	$ 868,813	$ 810,303	$ 58,510
Parks and recreation	165,710	162,099	3,611
Enterprise Net Position:			
Water	3,989,221	4,291,980	(302,759)
Davis-Grunsky	(12,821)	(11,109)	(1,712)
Sewer	3,463,481	4,217,211	(753,730)

CAPITAL ASSETS

At June 30, 2013 the District has invested $16,543,763 million in capital assets. This amount represents a net decrease of $1,489,558 from last year. The change in capital assets was primarily a result of the following: 1) decrease due to the annual depreciation expense of $1,328,492, 2) decrease due to the loss on disposal of capital assets with a book value of $344,983 that were no longer in use at June 30, 2013, 3) and an increase of $182,916 for capital asset additions.

	2013	2012	Increase (Decrease)
Land	$ 468,436	$ 468,436	$ -
Stuctures and improvements	32,318,106	32,586,617	(268,511)
Furniture and equipment	2,381,240	2,540,326	(159,086)
Vehicles	1,572,898	1,572,898	-
Construction in progress	58,865	199,635	(140,770)
Accumulated depreciation	(20,255,782)	(19,334,591)	(921,191)
Total	$ 16,543,763	$ 18,033,321	$ (1,489,558)

LONG-TERM DEBT

At June 30, 2013, the District has $11,960,183 in long-term debt. The reductions to long-term debt are primarily attributable to scheduled principal payments. The increase in the net OPEB obligation is due to the excess of the annual required contribution over the contributions made. The net effect on long-term debt is a decrease of $13,605 from last year. The decrease in compensated absences is primarily due to the elimination of five former employee balances that were transferred to CAL Fire as they are now CAL Fire employees under the cooperative fire protection agreement that was effective during the current year. In addition, the District entered into an Installment Sale Agreement, dated February 1, 2013 (2013 Installment Sale Agreement) in the amount of $3,117,831 to refund the 1998 Installment Sale Agreement. The District completed the refunding to reduce debt service payments by $40,162 in aggregate and to obtain an economic gain (difference between the present value of the old and new debt service payments) of approximately $75,000 in aggregate.

	2013	2012	Increase (Decrease)
Installment sales agreements, net	$ 10,985,879	$ 11,012,027	$ (26,148)
Net OPEB obligation	778,690	613,630	165,060
Compensated absences	90,460	184,366	(93,906)
Other long-term debt	105,154	163,765	(58,611)
Total	$ 11,960,183	$ 11,973,788	$ (13,605)

FACTORS BEARING ON THE DISTRICT FUTURE

At the time these financial statements were prepared, factors affecting the District's future include:

- The District has entered into a contractual agreement with CAL Fire for the operation of the fire department that began on April 1, 2013. The contract was entered into as a result of a special benefit assessment expiring in June 2012 resulting in a reduced funding level for the fire department, and through this contract the District has been able to reduce costs of operations while maintaining a full time fire protection service.

- The District began efforts to refinance the 2007 Water Debt Service that was incurred in May 2007 to pay for federal and state mandated upgrades to the two surface water treatment plants, construction of an emergency water supply system and upgrade to the radio telemetry and control (SCADA) system. The District collects $10.75 per month and this is paid by all District water customers. It is expected that the refinancing will be completed in February of 2014 resulting in a projected savings of approximately $145,000 over the duration of the bond.

- The District restructured staffing levels in May of 2013 and engaged professional services for engineering and fiscal services resulting in a projected cost savings to the District, projected balanced fund budgets and reductions in payroll expense of $72,000. Additionally the District has budgeted for funding OPEB and CalPERS unfunded liabilities.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact Jon Sterling, General Manager, Groveland Community Services District, 18966 Ferretti Rd, Groveland, CA 95321.

GROVELAND COMMUNITY SERVICES DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and equivalents	$ 1,179,407	$ 1,016,833	$ 2,196,240
Restricted cash and equivalents		2,217,391	2,217,391
Accounts receivable		600,702	600,702
Deposits		3,150	3,150
Assessments receivable		21,945	21,945
Depreciable capital assets (net)	896,235	15,120,227	16,016,462
Nondepreciable capital assets	48,044	479,257	527,301
Total assets	2,123,686	19,459,505	21,583,191
DEFERRED OUTFLOW OF RESOURCES			
Deferred amount on debt refunding		419,053	419,053
LIABILITIES			
Accounts payable and accrued liabilities	144,684	88,642	233,326
Interest payable		221,535	221,535
Deposits payable	200	40,539	40,739
Settlement payable		375,000	375,000
Long-term liabilities, due within one year	16,643	667,102	683,745
Long term liabilities, due in more than one year	230,579	11,045,859	11,276,438
Total liabilities	392,106	12,438,677	12,830,783
NET POSITION			
Net investment in capital assets	944,279	7,190,663	8,134,942
Unrestricted	787,301	249,218	1,036,519
Total net position	$ 1,731,580	$ 7,439,881	$ 9,171,461

GROVELAND COMMUNITY SERVICES DISTRICT

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

		Program Revenues	Net (Expenses) Revenues and Changes in Net Position		
Functions/Programs	**Expenses**	**Charges for Services**	**Governmental Activities**	**Business-type Activities**	**Totals**
Governmental Activities:					
Public safety	$ 848,097		$ (848,097)		$ (848,097)
Parks and recreation	102,163	$ 1,304	(100,859)		(100,859)
Interest on long-term debt	42		(42)		(42)
Total Governmental Activities	950,302	1,304	(948,998)		(948,998)
Business-type Activities:					
Water	2,917,029	2,586,076		$ (330,953)	(330,953)
Davis-Grunsky	1,719			(1,719)	(1,719)
Sewer	2,637,153	1,870,209		(766,944)	(766,944)
Total Business-type Activities	5,555,901	4,456,285		(1,099,616)	(1,099,616)
Total Primary Government	$ 6,506,203	$ 4,457,589	(948,998)	(1,099,616)	(2,048,614)
General Revenues:					
Property taxes			942,269	10,252	952,521
Interest earnings			2,541	20,417	22,958
Other revenue			48,122	10,746	58,868
Total general revenues			992,932	41,415	1,034,347
Change in net position			43,934	(1,058,201)	(1,014,267)
Net position - beginning, as previously reported			1,687,646	8,627,459	10,315,105
Cumulative effect of change in accounting principle				(129,377)	(129,377)
Net position - beginning, as restated			1,687,646	8,498,082	10,185,728
Net position - ending			$ 1,731,580	$ 7,439,881	$ 9,171,461

GROVELAND COMMUNITY SERVICES DISTRICT

BALANCE SHEETS
GOVERNMENTAL FUNDS
JUNE 30, 2013

	Fire Protection	Parks and Recreation	Total Governmental Funds
ASSETS			
Cash and equivalents	$ 1,008,501	$ 170,906	$ 1,179,407
Total assets	$ 1,008,501	$ 170,906	$ 1,179,407
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	$ 139,688	$ 4,996	$ 144,684
Deposits payable		200	200
Total liabilities	139,688	5,196	144,884
Fund balances:			
Committed for fire protection	868,813		868,813
Committed for parks and recreation		165,710	165,710
Total fund balances	868,813	165,710	1,034,523
Total liabilities and fund balances	$ 1,008,501	$ 170,906	$ 1,179,407

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

GROVELAND COMMUNITY SERVICES DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS TO THE STATEMENT OF NET POSITION JUNE 30, 2013

Total fund balance, governmental funds	$ 1,034,523
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. This is the amount, net of accumulated depreciation, included in the statement of net position.	944,279
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities, net of unamortized premiums, are included in governmental activities in the statement of net position.	(247,222)
Total net position, governmental activities	$ 1,731,580

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

GROVELAND COMMUNITY SERVICES DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	Fire Protection	Parks and Recreation	Total Governmental Funds
REVENUES			
Property taxes	$ 866,887	$ 75,382	$ 942,269
Interest earnings	898	1,643	2,541
Charges for services		1,304	1,304
Other revenues	48,118	4	48,122
Total revenues	915,903	78,333	994,236
EXPENDITURES			
Public safety	850,156		850,156
Culture-recreation		74,722	74,722
Capital outlay	3,596		3,596
Debt service:			
Principal	3,599		3,599
Interest	42		42
Total expenditures	857,393	74,722	932,115
Excess of revenues over expenditures	58,510	3,611	62,121
Fund balances - beginning of year	810,303	162,099	972,402
Fund balances - end of year	$ 868,813	$ 165,710	$ 1,034,523

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

GROVELAND COMMUNITY SERVICES DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

Net change in fund balances - total governmental funds		$ 62,121
Amounts reported for governmental activities and in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlay expenditures are added back to fund balances	$ 3,596	
Depreciation expense not reported in governmental funds	(105,689)	(102,093)
In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. However, in the statement of activities, unmatured interest on long-term debt is accrued at year end.		68
Payment of principal on the capital lease is reported as an expenditure in governmental funds. However, the repayment reduced long-term liabilities in the statement of net position.		3,599
In governmental funds, retiree benefit costs are recognized when employer contributions are made. In the statement of activities, costs are measured and recognized in relation to the annual required contribution. For the year ended June 30, 2013, the difference between the OPEB expense and the actual employee contributions attributable to governmental activities was:		(22,374)
Increases/decreases in compensated absences are not recorded as expenditures in governmental funds because they are not expected to be liquidated with current financial resources. In the statement of activities, changes in compensated absences are recognized as expenses.		102,613
Change in net position of governmental activities		$ 43,934

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

GROVELAND COMMUNITY SERVICES DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Business-type Activities Enterprise Funds			
	Water Fund	Davis-Grunsky Fund	Sewer Fund	Totals
ASSETS				
Cash and equivalents	$ 883,645	$ 18,567	$ 114,621	$ 1,016,833
Restricted cash and equivalents	1,412,603		804,788	2,217,391
Accounts receivable	298,387		302,315	600,702
Deposits	3,150			3,150
Assessments receivable		21,945		21,945
Depreciable capital assets (net)	8,853,115		6,267,112	15,120,227
Nondepreciable capital assets	45,326		433,931	479,257
Total assets	11,496,226	40,512	7,922,767	19,459,505
DEFERRED OUTFLOW OF RESOURCES				
Deferred amount on debt refunding	419,053			419,053
LIABILITIES				
Accounts payable and accrued liabilities	57,915		30,727	88,642
Interest payable	136,514		85,021	221,535
Deposits payable	33,051		7,488	40,539
Settlement payable			375,000	375,000
Long-term liabilities, due within one year	442,904	8,699	215,499	667,102
Long term liabilities, due in more than one year	7,255,674	44,634	3,745,551	11,045,859
Total liabilities	7,926,058	53,333	4,459,286	12,438,677
NET POSITION				
Net investment in capital assets	3,370,515		3,820,148	7,190,663
Unrestricted	618,706	(12,821)	(356,667)	249,218
Total net position	$ 3,989,221	$ (12,821)	$ 3,463,481	$ 7,439,881

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

GROVELAND COMMUNITY SERVICES DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Business-type Activities Enterprise Funds			
	Water Fund	Davis-Grunsky Fund	Sewer Fund	Totals
OPERATING REVENUES				
Charges for services	$ 2,545,248		$ 1,850,246	$ 4,395,494
Other	40,828		19,963	60,791
Total operating revenues	2,586,076		1,870,209	4,456,285
OPERATING EXPENSES				
Salaries and wages	613,548		539,139	1,152,687
Payroll expenses	405,235		358,758	763,993
Professional services	117,700		123,741	241,441
Insurance	26,489		26,489	52,978
Janitorial	4,015		4,015	8,030
Supplies, equipment, and materials	178,709		108,404	287,113
Communications	13,032		13,772	26,804
Rents and leases	8,107		706	8,813
Utilities	239,544		99,101	338,645
Repairs and maintenance	125,994		41,868	167,862
Advertising, postage, and printing	19,549		8,198	27,747
Memberships, dues, and subscriptions	3,370		3,419	6,789
Employee development	17,745		20,375	38,120
Licenses and permits	19,064		18,714	37,778
Miscellaneous	15,481		7,043	22,524
Bad debt	(8,329)		(9,343)	(17,672)
Depreciation	722,849		499,954	1,222,803
Total operating expenses	2,522,102		1,864,353	4,386,455
Operating income	63,974		5,856	69,830
NONOPERATING REVENUES (EXPENSES)				
Property taxes	10,252			10,252
Interest earnings	10,319	$ 7	10,091	20,417
Interest expense	(363,187)	(1,719)	(179,885)	(544,791)
Loss on disposal of capital assets			(344,983)	(344,983)
Settlement expense			(187,500)	(187,500)
Amortization	(15,292)			(15,292)
Other expense	(16,448)		(60,432)	(76,880)
Other income	7,623		3,123	10,746
Total nonoperating revenues (expenses)	(366,733)	(1,712)	(759,586)	(1,128,031)
Change in net position	(302,759)	(1,712)	(753,730)	(1,058,201)
Net position - beginning, as previously reported	4,399,607	(11,109)	4,238,961	8,627,459
Cumulative effect of change in accounting principle	(107,627)		(21,750)	(129,377)
Net position - beginning, as restated	4,291,980	(11,109)	4,217,211	8,498,082
Net position - ending	$ 3,989,221	$ (12,821)	$ 3,463,481	$ 7,439,881

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

GROVELAND COMMUNITY SERVICES DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Business-type Activities Enterprise Funds			
	Water Fund	Davis-Grunsky Fund	Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	$ 2,583,878		$ 1,869,033	$ 4,452,911
Cash payments to suppliers for goods and services	(819,771)		(516,632)	(1,336,403)
Cash payments to/on behalf of employees	(947,019)		(819,932)	(1,766,951)
Net cash provided by operating activities	817,088		532,469	1,349,557
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash received from taxes and assessments	10,252	$ 8,851		19,103
Cash received from other nonoperating	7,623		3,123	10,746
Cash payments for other nonoperating	(16,448)		(60,432)	(76,880)
Net cash provided (used) by non-capital and related financing activities	1,427	8,851	(57,309)	(47,031)
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase of capital assets	(22,002)		(158,318)	(180,320)
Interest paid on long-term debt	(369,140)	(1,719)	(185,107)	(555,966)
Payments on refunded debt	(3,345,000)			(3,345,000)
Proceeds from refunding debt	3,117,831			3,117,831
Principal paid on long-term debt	(215,229)	(8,073)	(197,200)	(420,502)
Net cash used by capital and related financing activities	(833,540)	(9,792)	(540,625)	(1,383,957)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	10,319	8	10,089	20,416
Net decrease in cash and cash equivalents	(4,706)	(933)	(55,376)	(61,015)
Cash and cash equivalents - beginning of year	2,300,954	19,500	974,785	3,295,239
Cash and cash equivalents - end of year	$ 2,296,248	$ 18,567	$ 919,409	$ 3,234,224
RECONCILIATIONTO THE STATEMENT OF NET POSITION:				
Cash and equivalents	$ 883,645	$ 18,567	$ 114,621	$ 1,016,833
Restricted cash and equivalents	1,412,603		804,788	2,217,391
Cash and cash equivalents - end of year	$ 2,296,248	$ 18,567	$ 919,409	$ 3,234,224

(Continued)

GROVELAND COMMUNITY SERVICES DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013
(Continued)

	Business-type Activities Enterprise Funds			
	Water Fund	**Davis-Grunsky Fund**	**Sewer Fund**	**Totals**
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income	$ 63,974		$ 5,856	$ 69,830
Reconciliation of operating income to net cash provided (used) by operating activities				
Depreciation expense	722,849		499,954	1,222,803
(Increase) decrease in:				
Accounts receivable	(8,327)		(10,519)	(18,846)
Deposits and other assets	26,724		14,049	40,773
Increase (decrease) in:				
Accounts payable and accrued liabilities	(60,704)		(56,642)	(117,346)
Deposits payable	950			950
Compensated absences	278		8,429	8,707
Net OPEB obligation	71,344		71,342	142,686
Net cash provided by operating activities	$ 817,088	$	$ 532,469	$ 1,349,557

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

GROVELAND COMMUNITY SERVICES DISTRICT

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2013

	Agency Fund
ASSETS	
Restricted cash and investments	$ 43,972
Total assets	$ 43,972
LIABILITIES	
Deposits	$ 43,972
Total liabilities	$ 43,972

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

1. SIGNIFICANT ACCOUNTING POLICIES

A. ACCOUNTING POLICIES

The basic financial statements of the Groveland Community Services District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. REPORTING ENTITY

The District was formed in 1953, pursuant to the Community Services District Law of the State of California (Division 2 of Title 6 of the Government Code, Section 61600). The District provides water, sewer, fire, and park services throughout the District. The District's financial and administrative functions are governed by a Board of Directors elected by the voting population within the District. The District is a separate legal reporting entity in Tuolumne County.

The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity. The criteria include, but are not limited to, whether the entity exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), the scope of public service, and a special financing relationship.

The District has determined that no other outside entity meets the above criteria, and therefore, no agency has been included as a component unit in the District's financial statements. In addition, the District is not aware of any entity that would exercise such oversight responsibility that would result in the District being considered a component unit of that entity.

C. BASIS OF PRESENTATION

Government-wide financial statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which the governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Certain indirect expenses are allocated to the funds based on relative percentages. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund financial statements – Fund financial statements report more detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The fiduciary fund is used to report resources held by the District in a purely custodial capacity, which involves only the receipt, temporary investment, and remittance of fiduciary resources to individuals, and private organizations.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds include a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses, and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 fiduciary fund is reported using the economic resources measurement focus. The fiduciary fund is not included in the government-wide financial statements. The fiduciary fund is reported only in the statement of fiduciary net position at the fund financial statement level.

For the year ended June 30, 2013, the District implemented GASB Statement No. 62 (GASB 62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, GASB Statement No. 63 (GASB 63), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65 (GASB 65), *Items Previously Reported as Assets and Liabilities*. The objective of GASB 62 is to incorporate certain accounting and financial reporting guidance issued by the Financial Accounting Standards Board (FASB) or American Institute of Certified Public Accountants (AICPA) on or before November 30, 1989, into GASB’s authoritative literature. The objective of GASB 63 is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on the Fund’s net position. The objective of GASB 65 is to reclassify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or to recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues).

In accordance with GASB 65, bond issue costs are recognized as an outflow of resources (expense) in the year incurred. Since GASB 65 requires retroactive application, bond issue costs in the Water Fund that were previously reported as assets, in the amount of $129,377, were written off. As a result, for the year ended June 30, 2013, the beginning net position decreased by $129,377 as the cumulative effect of change in accounting principle. The retroactive implementation of GASB 63 and 65 did not have a material impact on the actual and pro forma financial statements as of and for the year ended June 30, 2012.

D. BASIS OF PRESENTATION

Basis of accounting refers to when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental fund financial statements use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting.

Expenses/Expenditures – Under the accrual basis of accounting, expenses are recognized at the time they are incurred. However, the measurement focus of governmental fund accounting is on decreases in the net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized on governmental fund financial statements.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available for use, it is the District's policy to first apply the expenditure toward, restricted fund balance and then to other, less restrictive classifications - committed amounts should be reduced first, followed by assigned amounts and then unassigned amounts.

E. FUND ACCOUNTING

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major and fiduciary funds as follows:

Major Governmental Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specific purposes. The District maintains the following major special revenue funds:

The **Fire Protection Fund** is used to account primarily for property taxes allocated for fire protection services throughout the District.

The **Parks and Recreation Fund** is used to account primarily for property taxes allocated for recreation services throughout the District.

Major Proprietary Funds

Proprietary Funds – Enterprise Funds are used to account for a government's ongoing operation and activities that are similar to businesses found in the private sector. These funds are considered self-supporting in that the services rendered by them are generally financed through user charges. The District maintains the following major proprietary funds:

The **Water Fund** is used to account for all activity associated with water services throughout the District.

The **Davis-Grunsky Fund** is used to account for all activity associated with the Davis-Grunsky loans.

The **Sewer Fund** is used to account for all activity associated with waste water services throughout the District.

Fiduciary Funds

The District is responsible for the administration of the Improvement Districts (Sewer Assessment District Nos. 3 and 4) formed under the Municipal Improvement Act of 1911. The District is not obligated to repay the special assessment debt of these special assessment districts. Tuolumne County functions as an agent for the property owners by collecting assessments and forwarding collections to the special-assessment debt-holders. The special assessment debt at June 30, 2013, is as follows:

SAD #3	$ 40,380
SAD #4	3,592
Total Special Assessment Debt	$ 43,972

F. BUDGET AND BUDGETARY ACCOUNTING

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all of the District's governmental funds. By State Law, the District's Governing Board must approve a tentative budget no later than June 30 and adopt a final budget no later than August 31. A public hearing must be conducted to receive comments prior to adoption.

These budgets are revised by the District's governing board during the fiscal year to give consideration to unanticipated income and expenditures. The original and final revised budgets for the Fire Protection and Parks and Recreation Fund are presented as required supplementary information in these financial statements.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

G. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflow, liabilities and deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual amounts could differ from those estimates.

H. CASH AND EQUIVALENTS

The District considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

I. CAPITAL ASSETS

Purchased capital assets are stated at historical cost or estimated historical cost when original cost is not available. Donated capital assets are recorded at their estimated fair value at the date of donation. The District's policy is to capitalize all capital assets with costs exceeding a minimum threshold of $2,500. Depreciation is recorded using the straight-line method over the estimated useful lives of the capital assets. The estimated useful lives are as follows:

Buildings	25-50 years
Improvements	10-20 years
Equipment	3-10 years

J. DEFERRED OUTFLOW/INFLOWS OF RESOURCES

In addition to assets, the balance sheet will sometimes report a separate section from deferred outflows of resources. This separate financial element, *deferred outflow of resources*, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. The District has one item, deferred amount on refunding, that qualifies for reporting in this category in the balance sheet. A deferred amount on refunding results from the difference in the carrying value of refunded debt and it reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded debt or refunding bond.

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*¸ represents an acquisition of net position that applies to a future period(s) and will not be recognized an inflow of resources (revenue) until that time. The District does not have items that qualify for reporting in this category.

K. COMPENSATED ABSENCES

An employee accumulates vacation and sick leave time in accordance with the personnel policies handbook. Vacation and sick time vested and accrued depends on years of service and date of hire by the District. Vacation may be accumulated up to 12 weeks for safety employees and 8 weeks for miscellaneous employees and is paid in full upon termination or retirement. There are no restrictions on the amount of sick leave an employee can accumulate, but unused sick leave is compensable at one half the total sick time accrued upon termination or retirement.

L. FUND BALANCES

In the governmental fund financial statements fund balances are classified as follows:

Non-spendable – Funds that cannot be spent due to their form or funds that legally or contractually must be maintained intact.

Restricted – Funds that are mandated for specific purposes because the amounts are subject to externally imposed or legally enforceable constraints.

Committed - Funds set aside for specific purposes by the District's highest level of decision-making authority (Board of Directors) pursuant to formal actions taken, such as a majority vote or resolution. These committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specific use through the same type of formal action taken to establish the commitment.

Assigned – Funds that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned - Unassigned fund balance is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available.

Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

M. PROPERTY TAXES

The District receives property taxes from the County of Tuolumne (County), which has been assigned the responsibility for assessment, collection, and apportionment of property taxes for all taxing jurisdictions within the County. Secured property taxes are levied on January 1 for the following fiscal year and on which date it becomes a lien on real property. Secured property taxes are due in two installments, on November 1 and February 1, and are delinquent after December 10 and April 10. Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent if unpaid by August 31. Property tax revenues are recognized in the fiscal year they are received.

Based on a policy by the County called the Teeter Plan, 100% of the allocated taxes are transmitted by the County to the District, eliminating the need for an allowance for uncollectible accounts. The County, in return, receives all penalties and interest on the related delinquent taxes.

N. LONG-TERM OBLIGATIONS

The District reports long-term obligations of governmental funds at face value in the government-wide financial statements. Long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements and the government-wide financial statements.

L. FUTURE GASB STATEMENT IMPLEMENTATION

In June of 2012, the GASB issued GASB Statement 68 (GASB 68), *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27, with required implementation for the District during the year ended June 30, 2015. GASB 68 is an amendment of GASB Statement 27, *Accounting for Pensions by State and Local Governmental Employers*. The primary objective of GASB 68 is to improve accounting and financial reporting by state and local governments for pensions by establishing standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. It will require employers to report a net pension liability for the difference between the present value of projected pension benefits for past service and restricted resources held in trust for the payment of benefits. The Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. GASB 68 requires implementation retroactively and will require a restatement of beginning net position.

2. CASH AND EQUIVALENTS

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

Statement of net position:		
Cash and equivalents	$	2,196,240
Restricted cash and equivalents		2,217,391
Fiduciary funds:		
Cash and equivalents		43,972
Total cash and equivalents	$	4,457,603

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

Cash with financial institutions	$	706,763
Cash on hand		500
Cash and equivalents with LAIF		228,323
Cash in County Treasury		51,537
Public Investment Money Market		3,470,480
Total cash and equivalents	$	4,457,603

The restricted portion of cash and investments held the Public Investment Money Market Fund represents that portion set aside for the debt service payments of Revenue Bonds and Special Assessment Bonds

Local Agency Investment Fund

The District is a voluntary participant 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. Separate complete financial statements are available at P.O. Box 942809, Sacramento, CA 94209-0001.

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Reverse Repurchase Agreements & Securities Lending Agreements	92 days	20 % of the base value of the portfolio	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	None
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	None
Time Deposits	5 years	None	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	$50 Million

Investments Authorized by Debt Agreements

Investments held by trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The table below identifies the investment types that are authorized for investments held by trustees. The table also identifies certain provisions of the debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Investment pools authorized under CA Statutes governed by Government Code	N/A	None	$50 million
U.S. Treasury Obligations/Bills	5 years	None	None
Bank Savings Account	N/A	25%	None
Federal Agencies	5 years	75%	None
Commercial Paper	180 days	20%	None
Negotiable Certificates of Deposit	180 days	20%	None
Re-purchase Agreements	180 days	20%	None
Corporate Debt	5 years	25%	None
Money Market Accounts	N/A	None	None

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 values to changes in market interest rates. The District has no investments that are highly sensitive to interest rate fluctuations.

Derivative Investments

The District did not directly enter into any derivative investments. Information regarding the amount invested in derivatives by the Treasury was not available.

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.

Concentration of Credit Risk

The investment policy of the District contains limitations on the amount that can be invested in any one issuer. There are no investments (other than U.S. Treasury securities, mutual funds, and external investment pools) in any one issuer that represent 5% or more of total District 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 deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Education 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, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits that are 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 governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amounts deposited by the public agencies.

District deposits held with financial institutions and with fiscal agents in excess of federal depository insurance limits held in accounts collateralized by securities held by the pledging financial institution were $3,939,344.

3. CAPITAL ASSETS

Governmental Activities:

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

	Balance July 1, 2012	Additions/ Transfers	Deductions/ Transfers	Balance June 30, 2013
Capital assets, not being depreciated:				
Land	$ 48,044			$ 48,044
Total capital assets, not being depreciated	48,044			48,044
Capital assets, being depreciated:				
Structures and improvements	1,317,555			1,317,555
Furnishings & Equipment	462,624	$ 3,596		466,220
Vehicles	797,884			797,884
Total capital assets, being depreciated	2,578,063	3,596		2,581,659
Total accumulated depreciation	(1,579,735)	(105,689)		(1,685,424)
Total capital assets, being depreciated, net	998,328	(102,093)		896,235
Governmental activities capital assets, net	$ 1,046,372	$ (102,093)	$	$ 944,279

For the year ended June 30, 2013, depreciation expense was charged to functions as follows:

Governmental activities:	
Public safety	$ 78,248
Parks and recreation	27,441
Total depreciation expense	$ 105,689

Business-Type Activities:

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

	Balance July 1, 2012	Additions/ Transfers	Deductions/ Transfers	Balance June 30, 2013
Capital assets, not being depreciated:				
Land	$ 420,392			$ 420,392
Construction in progress	199,635	$ 35,442	$ (176,212)	58,865
Total capital assets, not being depreciated	620,027	35,442	(176,212)	479,257
Capital assets, being depreciated:				
Structures and improvements	31,269,062	50,152	(318,663)	31,000,551
Equipment	2,077,702	270,938	(433,620	1,915,020
Vehicles	775,014			775,014
Total capital assets, being depreciated	34,121,778	321,090	(752,283)	33,690,585
Total accumulated depreciation	(17,754,856)	(1,222,802)	407,300	(18,570,358)
Total capital assets, being depreciated, net	16,366,922	(901,712)	(344,983)	15,120,227
Governmental activities capital assets, net	$ 16,986,949	$ (866,270)	$ (521,195)	$ 15,599,484

4. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2013 was as follows:

Governmental Activities	Balance at July 1, 2012	Additions	Retirements	Balance at June 30, 2013	Due within one year
Capital lease	$ 3,599		$ (3,559)		
Net OPEB obligation	208,205	$ 39,311	(16,937)	$ 230,579	
Compensated absences	119,256		(102,613)	16,643	$ 16,643
Total	$ 331,060	$ 39,311	$ (123,109)	$ 247,222	$ 16,643

Business-type Activities	Balance at July 1, 2012	Additions	Retirements	Balance at June 30, 2013	Due within one year
Installment sales agreements					
May 2007	$ 4,298,304		$ (193,660)	$ 4,104,644	$ 202,890
June 2007	3,856,698		(171,832)	3,684,866	180,265
June 1998	3,345,000		(3,345,000)		
February 2013		$ 3,117,831		3,117,831	179,450
Unamortized premium	84,199		(5,661)	78,538	5,660
Unamortized discount	(572,174)		572,174		
Davis-Grunsky Act loans	61,406		(8,073)	53,333	8,699
Special assessment bonds	54,000		(5,000)	49,000	13,500
Ford truck loan	10,667		(7,846)	2,821	2,821
Equipment capital lease	34,093		(34,093)		
Net OPEB obligation	405,425	250,698	(108,012)	548,111	
Compensated absences	65,110	9,847	(1,140)	73,817	73,817
Total	$ 11,642,728	$ 3,378,376	$ (3,308,143)	$ 11,712,961	$ 667,102

Installment Sales Agreements

The District entered into an Installment Sale Agreement, dated May 18, 2007 in the amount of $5,031,500 with an interest rate of 4.71%, to provide financing for the certain public water facilities constituting part of the District's water enterprise. Payments are due semiannually on July 10 and January 10. Final maturity is on July 10, 2027.

The District entered into an Installment Sale Agreement, dated June 29, 2007 in the amount of $4,529,000 with an interest rate of 4.85%, to provide financing for the additional improvements to the Wastewater System within the service area of the District. Payments are due semiannually on July 10 and January 10. Final maturity is on July 10, 2027.

The District entered into an Installment Sale Agreement, dated as of April 1, 1996, as amended by a First Amendment to Installment Sale Agreement, dated as of June 1, 1998, with the Groveland/Tuolumne Financing Authority (collectively, 1998 Installment Sale Agreement) to finance and refinance the acquisition, construction and improvement of water storage and treatment facilities for the benefit of the District.

The District entered into an Installment Sale Agreement, dated February 1, 2013 (2013 Installment Sale Agreement) in the amount of $3,117,831, with an interest rate of 3.7%, to refund the 1998 Installment Sale Agreement causing the prepayment by the Groveland/Tuolumne Financing Authority of all of the outstanding Groveland/ Tuolumne Financing Authority Groveland Capital Facilities Refunding Revenue Bonds Issue of 1998 (1998 Bonds.) Payments are due semiannually on July 10 and January 10. Final maturity is on January 10, 2026. The District completed the refunding to reduce debt service payments by $40,162 in aggregate and to obtain an economic gain (difference between the present value of the old and new debt service payments) of approximately $75,000 in aggregate.

Other Long-Term Debt

The District entered into a David-Grunsky Act Loan in the amount of $102,000 with an interest rate of 2.5%, payable semiannually, principal payable annually on December 1. Final maturity is on December 1, 2021. As of June 30, 2013, the principal balance was $31,925.

The District entered into a David-Grunsky Act Loan in the amount of $137,003 with an interest rate of 3.2%, payable semiannually, principal payable annually on December 1. Final maturity is on December 1, 2021. As of June 30, 2013, the principal balance was $21,408.

The District entered into the Municipal Improvement Act of 1915 Bonds (Special Assessment Bonds) in the amount of $190,826, which are the obligation of property owners that the District has the duty to maintain upon default or delinquency. Special Assessment Bonds are paid from cash on hand and assessments collected. Final maturity is on July 1, 2016.

Annual debt service requirements for the business-type activities are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Totals
2014	$ 587,624	$ 471,166	$ 1,058,790
2015	613,575	458,892	1,072,467
2016	656,750	432,207	1,088,957
2017	660,368	404,021	1,064,389
2018	686,194	374,704	1,060,898
2019-2023	3,932,021	1,385,001	5,317,022
2024-2028	3,875,963	435,435	4,311,398
Total	$ 11,012,495	$ 3,961,426	$ 14,973,921

5. EMPLOYEMENT RETIREMENT SYSTEMS

DEFINED BENEFIIT PENSION PLANS

Qualified employees are covered under the Miscellaneous 2.7% at 55 Risk Pool (Miscellaneous Plan) and the Safety 2.0% at 50 Risk Pool (Safety Plan); cost-sharing multiple-employer defined benefit pension plans maintained by the California Public Employees Retirement System (CalPERS), an agency of the State of California.

Plan Description

The District contributes to CalPERS. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. State statute and the District's policy establish benefits provisions and all other requirements. Copies of CalPERS' annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, California 95811.

Funding

Participants are required to contribute 8% and 9% of their annual covered salary for the Miscellaneous Plan and the Safety Plan, respectively. The District makes the contributions required of certain District employees on their behalf and for their account. The District is required to contribute at an actuarially determined rate. The District's contribution rate on covered payroll for all employees for the year ended June 30, 2013 was 12.774% and 20.084% for the Miscellaneous Plan and the Safety Plan, respectively. The contribution requirement of plan members and the District are established and may be amended by CalPERS.

Annual Pension Cost

The District's contributions to CalPERS for the fiscal years ending June 30, 2013, 2012, and 2011 were $121,899, $120,821and $94,302, respectively, for the Miscellaneous Plan and $45,378, $77,674 and $55,281, respectively for the Safety Plan, and equal 100% of the required contributions for each year. The required contribution was determined as part of the June 30, 2010, actuarial valuations. A summary of the principle assumptions and methods used to determine the annual required contributions is shown below:

Valuation date	June 30, 2010
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Investment rate of return	7.75% (net of administrative expenses)
Inflation	3.00%
Payroll growth	3.25%
Projected salary increases	3.55% to 14.45%

The excess of the total actuarial accrued liability over the actuary value of plan assets is called the unfunded actuarial accrued liability. Funding requirements are determined by adding the normal cost and an amortization of the unfunded liability as a level percentage of assumed future payrolls. All changes in liability are amortized separately over a 20 year period. Investment gains and losses are accumulated as they are realized and amortized over a rolling 30 year period.

The Statewide Miscellaneous Plan and the Safety Plan had an unfunded liability of $501,381,651 and $68,551,793, respectively, as of June 30, 2012.

OTHER POSTEMPLOYMENT BENEFIT

For employees who retire from the District after at least ten (10) years of service with the District and who continue health insurance through a District-sponsored health insurance plan, the District will continue to pay their health insurance premium, at the same level of benefits as the retiree had at the time of retirement. The District will also continue contributing to the retirees Health Savings Account, until the retiree reaches the age of 65, after which, the retiree shall receive the Medicare Supplement insurance coverage.

At June 30, 2013, the District has 17 retirees receiving benefits and 9 active participants. As of June 30, 2013, the District had not established an irrevocable trust or designated a trustee for the payment of plan benefits. As such, there is no separately issued report of the plan.

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The District has elected to calculate the ARC and related information using the alternative measurement method (AMM) permitted by GASB 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress for other postemployment benefits, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

Cost method	Projected unit credit
Amortization method	Flat percent of projected payroll over a rolling 30 years
Remaining amortization period	30 years as of the valuation date
Assumptions	
Discount rate	.04
Ultimate trend rate	.05
Health cost trend rate	.04 - .08
Age adjustment factor	0
Assumed retirement age	58
Cap inflator (full inflation)	-1
Percent of retirees with spouses	.5

Annual required contribution	$ 290,009
Interest on net OPEB obligation	
Adjustment to annual required contribution	
Annual OPEB expense	290,009
Contributions made	(124,949)
Increase in OPEB obligation	165,060
Net OPEB obligation at July 1, 2012	613,630
Net OPEB obligation at June 30, 2013	$ 778,690

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net obligation for June 30, 2013 and the preceding years is as follows:

Fiscal year ended	Annual OPEB cost	% of annual OPEB expense contributed	Net OPEB obligation
6/30/11	$ 330,707	26%	$ 236,634
6/30/12	$ 339,871	45%	$ 613,630
6/30/13	$ 290,009	43%	$ 778,690

The District's funding status for other postemployment benefits as of July 1, 2012, is as follows:

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b – a] / c)
7/1/12	$ 0	$ 2,210,460	$ 2,210,460	0%	N/A	N/A

6. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries insurance.

The District is a member of the Special District Risk Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority, created pursuant to California Government Code Sections 6500 et. seq., effective July 1, 2006. During its membership, the general and auto liability, employee dishonesty coverage, property loss, boiler and machinery, public officials' personal liability, workers' compensation coverage and employer's liability policies were in effect, with excess coverage for general and auto liability, and errors and changes of $10 million.

Following is SDRMA's summary unaudited financial information as of June 30, 2013:

Total Assets	$ 103,936,351	Total Revenues	$ 48,423,555
Total Liabilities	48,290,854	Total Expenses	51,573,238
Total Net Position	$ 55,645,497	Change in Net Position	$ (3,149,683)

REQUIRED SUPPLEMENTARY INFORMATION

GROVELAND COMMUNITY SERVICES DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2013

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b – a] / c)
7/1/09	$ 0	$ 2,202,513	$ 2,202,513	0%	$ 1,513,426	145.5%
7/1/12	$ 0	$ 2,210,460	$ 2,210,460	0%	N/A	N/A

GROVELAND COMMUNITY SERVICES DISTRICT

BUDGETARY COMPARISON SCHEDULE
FIRE PROTECTION FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Property taxes	$ 900,560	$ 900,560	$ 866,887	$ (33,673)
Interest earnings			898	898
Other revenue	18,000	18,000	48,118	30,118
Total revenues	918,560	918,560	915,903	(2,657)
EXPENDITURES				
Public safety	807,487	807,487	850,156	(42,669)
Capital outlay	10,000	10,000	3,596	6,404
Debt service:				
Principal	1,250	1,250	3,599	(2,349)
Interest			42	(42)
Total expenditures	818,737	818,737	857,393	(38,656)
Excess of revenues over expenditures	99,823	99,823	58,510	(41,313)
Fund balances - beginning	810,303	810,303	810,303	
Fund balances - ending	$ 910,126	$ 910,126	$ 868,813	$ (41,313)

GROVELAND COMMUNITY SERVICES DISTRICT

BUDGETARY COMPARISON SCHEDULE
PARKS AND RECREATION FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Property taxes	$ 73,396	$ 73,396	$ 75,382	$ 1,986
Interest earnings	1,500	1,500	1,643	143
Charges for services	2,300	2,300	1,304	(996)
Other revenues			4	4
Total revenues	77,196	77,196	78,333	1,137
EXPENDITURES				
Culture-recreation	85,927	85,927	74,722	11,205
Capital outlay	13,000	13,000		13,000
Total expenditures	98,927	98,927	74,722	24,205
Excess (deficiency) of revenues over expenditures	(21,731)	(21,731)	3,611	25,342
Fund balances - beginning	162,099	162,099	162,099	
Fund balances - ending	$ 162,099	$ 162,099	$ 165,710	$ 3,611