

**GROVELAND  
COMMUNITY SERVICES DISTRICT**

**TUOLUMNE COUNTY  
GROVELAND, CALIFORNIA**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITOR'S REPORT**

**YEAR ENDED JUNE 30, 2016**

# GROVELAND COMMUNITY SERVICES DISTRICT

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## **FINANCIAL SECTION**

**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, 2016, 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.

## 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, 2016, 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(P) to the financial statements, effective July 1, 2015, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to this matter.

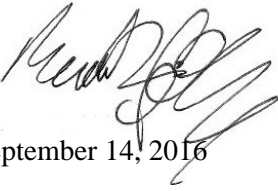
### Other Matters

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Schedule of Funding Progress for Other Postemployment Benefits, Budgetary Comparison Schedules, Schedule of the District's Proportionate Share of the Net Pension Liability and Schedule of Contributions on pages 3 through 11 and 41 through 45 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 September 14, 2016 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.



September 14, 2016

## 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, 2016, 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.

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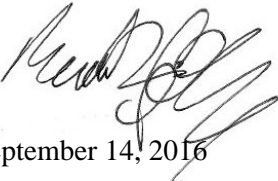
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September 14, 2016

# GROVELAND COMMUNITY SERVICES DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

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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. We encourage the readers to consider the information presented here in conjunction with the District's basic financial statements, which immediately follow this section.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The 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 presented, 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 that used by private-sector businesses.
  - The statement of net position presents financial information on all of the District's assets, deferred outflows, liabilities, and deferred inflows 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, regardless of the timing of related cash flows. Thus, revenues and expenses may be reported in the current period for some items that will only result in cash flows in future fiscal periods, or for which the cash flows have already occurred.
  - Both the statement of net position and the statement of activities distinguish between two types of activities carried out by the District: governmental activities, which are principally supported by property taxes, and business-type activities, which are intended to recover all or a significant portion of their costs through charges for services. The governmental activities of the District include fire protection and parks and recreation. The business-type activities of the District include water, sewer, and the Davis-Grunsky fund.

# GROVELAND COMMUNITY SERVICES DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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- **Fund financial statements.** A fund is a grouping of related accounts that is used to maintain separate accountability for 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 and legal compliance. Because this information does not encompass the additional long-term focus of the government-wide statements, a reconciliation to the governmental fund statements is provided to explain the differences (or relationships) between them.
  - **Proprietary funds**—The District's proprietary funds, which are 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 fund**—The District is responsible for the administration of the Improvement Districts (Sewer Assessment Districts 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 (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.
- **Required supplementary information** 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).



# GROVELAND COMMUNITY SERVICES DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

### GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

#### Net Position

Net position over time may serve as a useful indicator of a government's financial position. For the District as a whole, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$9,486,579 as of June 30, 2016. This amount represents the District's net position.

By far, the largest portion (72%) of the District's net position 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 \$2,650,090 is unrestricted and may be used to meet the District's ongoing obligations.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current assets and other assets	\$ 1,649,315	\$ 1,525,374	\$ 5,051,779	\$ 4,574,469	\$ 6,701,094	\$ 6,099,843
Capital assets	<u>730,155</u>	<u>796,133</u>	<u>14,021,710</u>	<u>14,941,586</u>	<u>14,751,865</u>	<u>15,737,719</u>
Total assets	<u>2,379,470</u>	<u>2,321,507</u>	<u>19,073,489</u>	<u>19,516,055</u>	<u>21,452,959</u>	<u>21,837,562</u>
 Total deferred outflows of resources	 <u>5,837</u>	 <u>2,063</u>	 <u>550,473</u>	 <u>373,911</u>	 <u>556,310</u>	 <u>375,974</u>
Long-term liabilities	309,922	293,682	11,366,114	11,734,363	11,676,036	12,028,045
Other liabilities	<u>217,142</u>	<u>181,906</u>	<u>380,683</u>	<u>305,601</u>	<u>597,825</u>	<u>487,507</u>
Total liabilities	<u>527,064</u>	<u>475,588</u>	<u>11,746,797</u>	<u>12,039,964</u>	<u>12,273,861</u>	<u>12,515,552</u>
 Total deferred inflows of resources	 <u>4,692</u>	 <u>7,842</u>	 <u>244,137</u>	 <u>416,002</u>	 <u>248,829</u>	 <u>423,844</u>
 Net position:						
Net investment in capital assets	730,155	796,133	6,106,334	6,349,825	6,836,489	7,145,958
Unrestricted	<u>1,123,396</u>	<u>1,044,007</u>	<u>1,526,694</u>	<u>1,084,175</u>	<u>2,650,090</u>	<u>2,128,182</u>
 Total net position	 <u>\$ 1,853,551</u>	 <u>\$ 1,840,140</u>	 <u>\$ 7,633,028</u>	 <u>\$ 7,434,000</u>	 <u>\$ 9,486,579</u>	 <u>\$ 9,274,140</u>

# GROVELAND COMMUNITY SERVICES DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

### Changes in Net Position

The net position of the District as a whole was \$9,486,579 as of . This is an overall increase in net position of \$212,439 from the prior year.

**Governmental activities**—The net position for governmental activities as of was \$1,853,551. This is an overall increase in net position of \$13,411 from the prior year. Although the economic downturn has had an impact on the District's property tax revenue, management has taken various actions to reduce expenses to neutralize the effect on governmental activities.

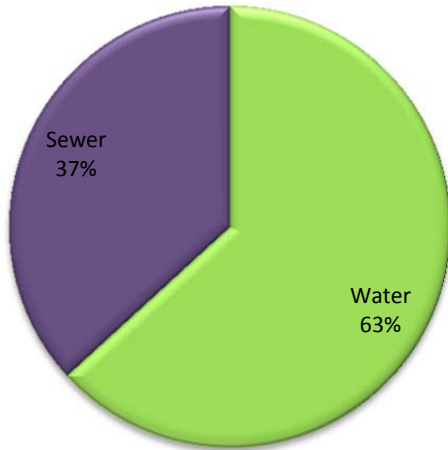
**Business-type activities**—For the District's business-type activities, the net position as of was \$7,633,028. This is an overall increase in net position of \$199,028 from the prior year. Total revenues decreased from \$5,999,065 to \$4,501,013. The decrease, in large part is due to federal grant revenue of \$1,275,270 recognized during the prior fiscal year. The federal grants were awarded to assist the District in financing the construction of a water filtration system that will enable the District to meet safe drinking water standards. The related costs associated with the water filtration system are included in capital assets are depreciated (expensed) annually over its useful life.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Program revenues:						
Charges for services	\$ 1,485	\$ 835	\$ 4,471,022	\$ 4,385,439	\$ 4,472,507	\$ 4,386,274
Capital grants and contributions	-	-	-	1,275,270	-	1,275,270
General revenues:						
Property taxes	1,049,741	997,791	21,456	10,474	1,071,197	1,008,265
Interest income	3,556	2,831	3,161	15,522	6,717	18,353
Other revenues	87,731	50,822	5,374	312,360	93,105	363,182
Total revenues	<u>1,142,513</u>	<u>1,052,279</u>	<u>4,501,013</u>	<u>5,999,065</u>	<u>5,643,526</u>	<u>7,051,344</u>
Expenses:						
Public safety	1,045,990	881,217	-	-	1,045,990	881,217
Parks and recreation	83,112	67,787	-	-	83,112	67,787
Water	-	-	2,561,328	2,577,397	2,561,328	2,577,397
Davis-Grunsky	-	-	989	1,241	989	1,241
Sewer	-	-	1,739,668	1,757,649	1,739,668	1,757,649
Total expenses	<u>1,129,102</u>	<u>949,004</u>	<u>4,301,985</u>	<u>4,336,287</u>	<u>5,431,087</u>	<u>5,285,291</u>
Change in net position	<u>13,411</u>	<u>103,275</u>	<u>199,028</u>	<u>1,662,778</u>	<u>212,439</u>	<u>1,766,053</u>
Net position - beginning, as previously reported	1,840,140	1,764,590	7,434,000	7,241,965	9,274,140	9,006,555
Cumulative effect of change in accounting principle	-	(27,725)	-	(1,470,743)	-	(1,498,468)
Net position - beginning, as restated	<u>1,840,140</u>	<u>1,736,865</u>	<u>7,434,000</u>	<u>5,771,222</u>	<u>9,274,140</u>	<u>7,508,087</u>
Net position - ending	<u>\$ 1,853,551</u>	<u>\$ 1,840,140</u>	<u>\$ 7,633,028</u>	<u>\$ 7,434,000</u>	<u>\$ 9,486,579</u>	<u>\$ 9,274,140</u>

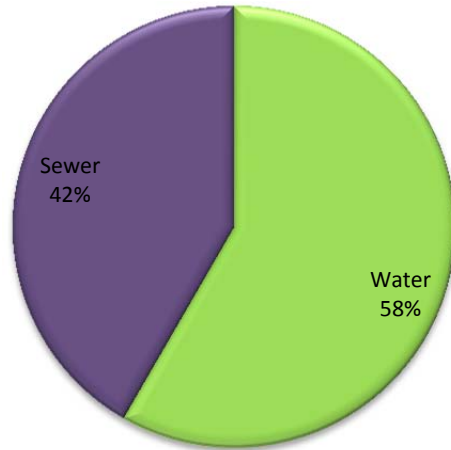
# GROVELAND COMMUNITY SERVICES DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

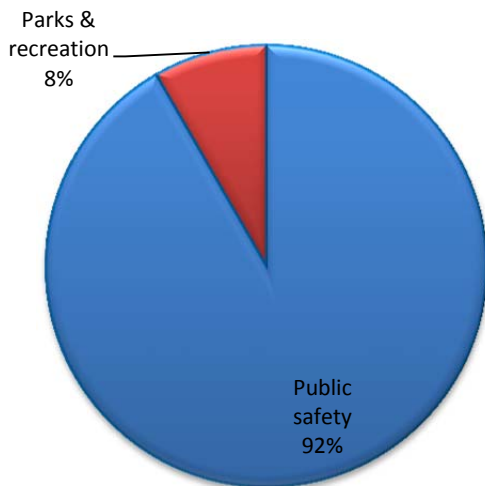
### FY 14-15 Revenue for Business-type Activities



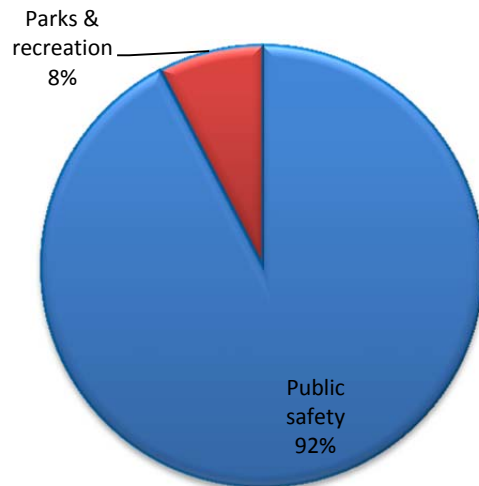
### FY 15-16 Revenue for Business-type Activities



### FY 14-15 Revenue for Governmental Activities



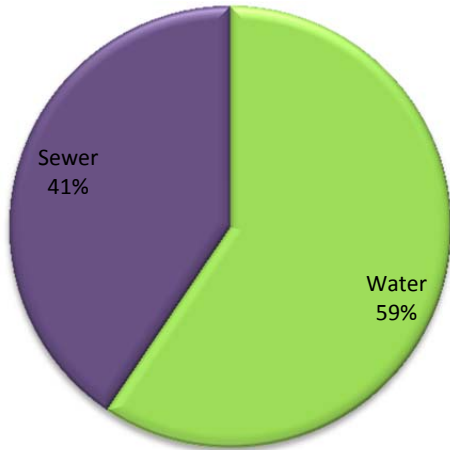
### FY 15-16 Revenue for Governmental Activities



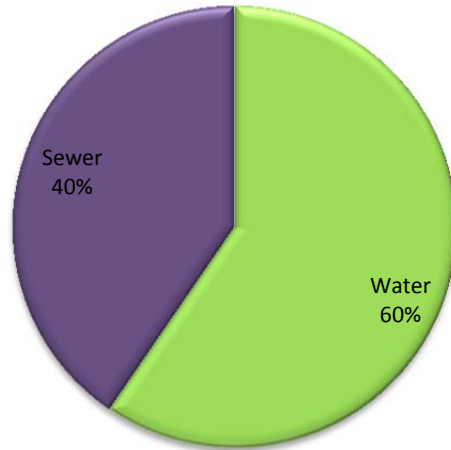
# GROVELAND COMMUNITY SERVICES DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

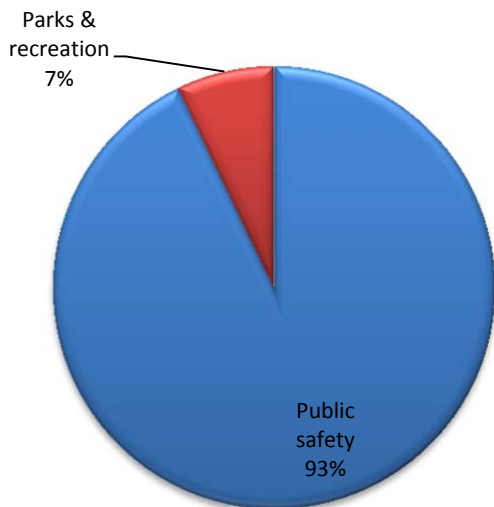
### FY 14-15 Expenses for Business-type Activities



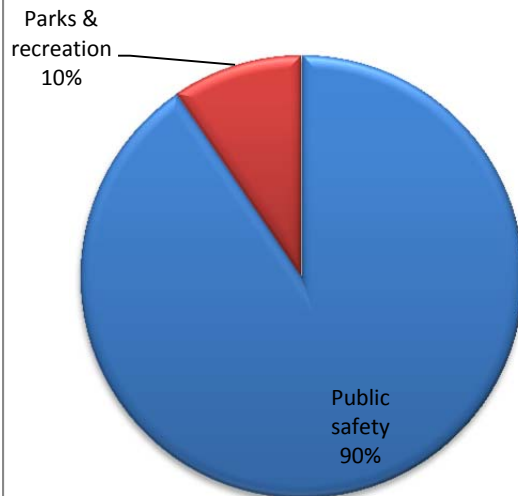
### FY 15-16 Expenses for Business-type Activities



### FY 14-15 Expense for Governmental Activities



### FY 15-16 Expenses for Governmental Activities



# GROVELAND COMMUNITY SERVICES DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

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### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

#### Changes in Net Fund Balance/Net Position

**Governmental fund balances**—Although the economic downturn has had an impact on the District's property tax revenue, management has taken various actions to reduce expenses to neutralize the effect on governmental activities. As a result, the governmental fund balances have increased in both the current and the prior year. The District entered into a contractual agreement with CAL Fire for the operation of the fire department that began April 1, 2013. A special benefit assessment for the fire department expired in June 2012, resulting in a reduced funding level for the fire department. However, through the contract with CAL Fire, the District has continued to be able to reduce costs of operations while maintaining a full time fire protection service.

The **Water Fund** generated operating income of \$381,978 and a net decrease from nonoperating activities of \$321,440 for a total increase in net position of \$60,538. The primary nonoperating item was federal interest expense of \$230,319 on long-term debt.

The **Sewer Fund** generated operating income of \$293,161 and a net decrease from nonoperating activities of \$159,513 for a total increase in net position of \$133,648. The primary nonoperating items was interest expense of \$112,292 on long-term debt.

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>
Governmental Fund Balance:			
Fire protection	\$ 1,231,528	\$ 1,129,649	\$ 101,879
Parks and recreation	200,645	213,819	(13,174)
Enterprise Net Position:			
Water	4,117,465	4,056,927	60,538
Davis-Grunsky	(10,247)	(15,089)	4,842
Sewer	3,525,810	3,392,162	133,648

#### CAPITAL ASSETS

At June 30, 2016 the District has invested \$14,751,865 in capital assets. This amount represents a net decrease of \$985,854 from last year. The decrease in capital assets was primarily a result of \$1,194,750 due to the annual depreciation expense.

# GROVELAND COMMUNITY SERVICES DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

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	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>
Land	\$ 468,436	\$ 468,436	\$ -
Structures and improvements	30,548,007	31,830,503	(1,282,496)
Furniture and equipment	1,930,817	2,672,080	(741,263)
Vehicles	1,311,323	1,457,489	(146,166)
Construction in progress	1,700,317	1,477,578	222,739
Accumulated depreciation	<u>(21,207,035)</u>	<u>(22,168,367)</u>	<u>961,332</u>
Total	<u>\$ 14,751,865</u>	<u>\$ 15,737,719</u>	<u>\$ (985,854)</u>

### LONG-TERM DEBT

At , the District has \$11,676,036 in long-term debt. The reductions to long-term debt are primarily attributable to scheduled principal payments and the change in the net pension liability

The District provides pension benefits to its employees through the Groveland Community Services District Miscellaneous Plan, a cost-sharing multiple-employer defined benefit pension plan maintained by CalPERS, an agency of the State of California. Qualified employees are covered under the Miscellaneous 2.7% at 55 Risk Pool (the Plan). CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. As of June 30, 2016, the District's proportionate share of the Plan's net pension liability was \$1,640,950, which is determined by an actuary annually.

During the year ended June 30, 2014, the District elected to participate in an irrevocable trust to prefund the OPEB obligation. The Trust, California Employers' Retiree Benefit Trust (CERBT) fund, is administered by CalPERS. The District's policy is to prefund their benefits from time to time at the sole discretion of the Board of Directors (Board) by accumulating assets in CERBT. The Board reserves the District's authority to review and amend this financing policy from time to time to ensure that the funding policy continues to best suit the circumstances of the District. During the year ended June 30, 2016, the District contributed \$175,200 to CERBT. Among the many benefits of prefunding the liability are that the earnings on the contributed assets reduce employer contributions, contributions to the Trust are irrevocable so they reduce the liability on the statement of net position, and financial security for retirees is enhanced.

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>
Installment sales agreements and bonds, net	\$ 9,052,364	\$ 9,709,772	\$ (657,408)
Net OPEB obligation	771,479	852,970	(81,491)
Compensated absences	67,148	65,977	1,171
Net pension liability	1,640,950	1,199,800	441,150
Other long-term debt	<u>144,095</u>	<u>199,526</u>	<u>(55,431)</u>
Total	<u>\$ 11,676,036</u>	<u>\$ 12,028,045</u>	<u>\$ (352,009)</u>

# **GROVELAND COMMUNITY SERVICES DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016**

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### **FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

The District's governmental funds continue to operate with a positive revenue flow. The continued contract with Cal Fire for the operation of the Fire Department has again concluded end of year operations under budget. With the expanded Cal Fire contract to include year round staffing of the seasonal Fire Station (B Station) the community experienced enhanced services.

During the fiscal year ended June 30, 2016, the District was awarded the following Grant; a \$565,000 Grant for the rehabilitation for the Sewer Lift Station in the Community of Big Oak Flat; and a \$399,000 planning Grant for the rehabilitation of the Sewer Collection system in downtown Groveland and Big Oak Flat. It is anticipated that the District will be awarded planning Grant funds for the replacement of the Water Distribution system in downtown Groveland and Big Oak Flat in the fall of 2016. The District did not expend or receive any of the grant funding noted above as of June 30, 2016.

The District implemented a rate increase within the Water Enterprise Fund that went into effect in May of 2016; the Rate Study for the Sewer Enterprise Fund is scheduled to begin in the fall of 2016.

### **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, 2016

	Governmental Activities	Business-type Activities	Totals
<b>ASSETS:</b>			
Cash and equivalents	\$ 1,648,883	\$ 3,523,506	\$ 5,172,389
Restricted cash and equivalents		1,024,196	1,024,196
Prepays and deposits	432	19,966	20,398
Accounts receivable		478,714	478,714
Due from other funds		5,397	5,397
Depreciable capital assets (net)	682,111	11,901,001	12,583,112
Nondepreciable capital assets	48,044	2,120,709	2,168,753
Total assets	2,379,470	19,073,489	21,452,959
<b>DEFERRED OUTFLOW OF RESOURCES:</b>			
Deferred outflow of resources related to pensions	5,837	315,325	321,162
Deferred amount on debt refunding		235,148	235,148
Total deferred outflow of resources	5,837	550,473	556,310
<b>LIABILITIES:</b>			
Accounts payable and accrued liabilities	211,545	185,613	397,158
Due to other funds	5,397		5,397
Interest payable		164,437	164,437
Deposits payable	200	30,633	30,833
Long-term liabilities, due within one year	2,504	803,195	805,699
Long term liabilities, due in more than one year	307,418	10,562,919	10,870,337
Total liabilities	527,064	11,746,797	12,273,861
<b>DEFERRED INFLOW OF RESOURCES:</b>			
Deferred inflow of resources related to pensions	4,692	244,137	248,829
<b>NET POSITION:</b>			
Net investment in capital assets	730,155	6,106,334	6,836,489
Unrestricted	1,123,396	1,526,694	2,650,090
Total net position	\$ 1,853,551	\$ 7,633,028	\$ 9,486,579

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



# GROVELAND COMMUNITY SERVICES DISTRICT

## STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues	Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Governmental Activities	Business-type Activities	Totals
Governmental Activities:					
Public safety	\$ 1,045,990		\$ (1,045,990)		\$ (1,045,990)
Parks and recreation	83,112	\$ 1,485	(81,627)		(81,627)
Total Governmental Activities	<u>1,129,102</u>	<u>1,485</u>	<u>(1,127,617)</u>		<u>(1,127,617)</u>
Business-type Activities:					
Water	2,561,328	2,603,079		\$ 41,751	41,751
Davis-Grunsky	989			(989)	(989)
Sewer	1,739,668	1,867,943		128,275	128,275
Total Business-type Activities	<u>4,301,985</u>	<u>4,471,022</u>		<u>169,037</u>	<u>169,037</u>
Total Primary Government	<u>\$ 5,431,087</u>	<u>\$ 4,472,507</u>	<u>(1,127,617)</u>	<u>169,037</u>	<u>(958,580)</u>
General Revenues:					
Property taxes			1,049,741	21,456	1,071,197
Interest earnings			3,556	3,161	6,717
Other revenue			87,731	5,374	93,105
Total general revenues			<u>1,141,028</u>	<u>29,991</u>	<u>1,171,019</u>
Change in net position			13,411	199,028	212,439
Net position - beginning			<u>1,840,140</u>	<u>7,434,000</u>	<u>9,274,140</u>
Net position - ending			<u>\$ 1,853,551</u>	<u>\$ 7,633,028</u>	<u>\$ 9,486,579</u>

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

# GROVELAND COMMUNITY SERVICES DISTRICT

## BALANCE SHEETS GOVERNMENTAL FUNDS JUNE 30, 2016

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	<b>Fire Protection</b>	<b>Parks and Recreation</b>	<b>Total Governmental Funds</b>
<b>ASSETS:</b>			
Cash and equivalents	\$ 1,434,401	\$ 214,482	\$ 1,648,883
Prepaid expenditures	181	251	432
Due from other funds	<u>4,751</u>	<u>          </u>	<u>4,751</u>
Total assets	<u>\$ 1,439,333</u>	<u>\$ 214,733</u>	<u>\$ 1,654,066</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 207,805	\$ 3,740	\$ 211,545
Deposits payable		200	200
Due to other funds	<u>          </u>	<u>10,148</u>	<u>10,148</u>
Total liabilities	<u>207,805</u>	<u>14,088</u>	<u>221,893</u>
Fund balances:			
Committed for fire protection	1,231,528		1,231,528
Committed for parks and recreation	<u>          </u>	<u>200,645</u>	<u>200,645</u>
Total fund balances	<u>1,231,528</u>	<u>200,645</u>	<u>1,432,173</u>
Total liabilities and fund balances	<u>\$ 1,439,333</u>	<u>\$ 214,733</u>	<u>\$ 1,654,066</u>

# GROVELAND COMMUNITY SERVICES DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS TO THE STATEMENT OF NET POSITION JUNE 30, 2016

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Total fund balance, governmental funds \$ 1,432,173

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. 730,155

In the governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the governmental activities statement of net position, deferred outflow and inflows of resources are reported as follows:

Deferred outflow of resources related to pensions	5,837
Deferred inflow of resources related to pensions	(4,692)

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. (309,922)

Total net position, governmental activities \$ 1,853,551

# GROVELAND COMMUNITY SERVICES DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2016

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	<b>Fire Protection</b>	<b>Parks and Recreation</b>	<b>Total Governmental Funds</b>
<b>REVENUES:</b>			
Property taxes	\$ 965,762	\$ 83,979	\$ 1,049,741
Interest earnings	1,704	1,852	3,556
Charges for services		1,485	1,485
Other revenues	<u>87,731</u>		<u>87,731</u>
Total revenues	<u>1,055,197</u>	<u>87,316</u>	<u>1,142,513</u>
<b>EXPENDITURES:</b>			
Public safety	953,318		953,318
Culture-recreation		66,508	66,508
Capital outlay		<u>33,982</u>	<u>33,982</u>
Total expenditures	<u>953,318</u>	<u>100,490</u>	<u>1,053,808</u>
Net change in fund balance	101,879	(13,174)	88,705
Fund balances - beginning of year	<u>1,129,649</u>	<u>213,819</u>	<u>1,343,468</u>
Fund balances - end of year	<u>\$ 1,231,528</u>	<u>\$ 200,645</u>	<u>\$ 1,432,173</u>

# 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, 2016

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Net change in fund balances - total governmental funds	\$	88,705
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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	\$	33,982	
Depreciation expense not reported in governmental funds		<u>(47,389)</u>	(13,407)

In governmental funds, the entire proceeds from disposal of assets are reported as revenues. In the statements of activities, only the resulting gain or loss is reported. This is the difference between the proceeds from disposal of capital assets and the resulting gain or loss.

(52,571)

In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on an accrual basis. The difference between accrual basis pension costs and employer contributions was:

(1,017)

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, 2016, the difference between the OPEB expense and the actual employee contributions attributable to governmental activities was:

(7,187)

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.

(1,112)

Change in net position of governmental activities	\$	<u>13,411</u>
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# GROVELAND COMMUNITY SERVICES DISTRICT

## STATEMENT OF NET POSITION PROPRIETARY FUNDS JUNE 30, 2016

	Business-type Activities			Totals
	Enterprise Funds			
	Water Fund	Davis-Grunsky Fund	Sewer Fund	
<b>ASSETS:</b>				
Cash and equivalents	\$ 1,964,641	\$ 17,020	\$ 1,541,845	\$ 3,523,506
Restricted cash and equivalents	698,716		325,480	1,024,196
Prepays and deposits	10,757		9,209	19,966
Due to other funds	7,824			7,824
Accounts receivable	269,199		209,515	478,714
Interfund loan			25,118	25,118
Depreciable capital assets (net)	6,904,666		4,996,335	11,901,001
Nondepreciable capital assets	1,582,732		537,977	2,120,709
Total assets	11,438,535	17,020	7,645,479	19,101,034
<b>DEFERRED OUTFLOW OF RESOURCES:</b>				
Deferred outflow of resources related to pensions	184,313		131,012	315,325
Deferred amount on debt refunding	235,148			235,148
Total deferred outflow of resources	419,461		131,012	550,473
<b>LIABILITIES:</b>				
Accounts payable and accrued liabilities	77,966		107,647	185,613
Due from other funds			2,427	2,427
Interest payable	111,457		52,980	164,437
Deposits payable	29,133		1,500	30,633
Interfund loan	25,118			25,118
Long-term liabilities, due within one year	512,880	9,435	280,880	803,195
Long term liabilities, due in more than one year	6,841,279	17,832	3,703,808	10,562,919
Total liabilities	7,597,833	27,267	4,149,242	11,774,342
<b>DEFERRED INFLOW OF RESOURCES:</b>				
Deferred inflow of resources related to pensions	142,698		101,439	244,137
<b>NET POSITION:</b>				
Net investment in capital assets	3,226,543		2,879,791	6,106,334
Unrestricted	890,922	(10,247)	646,019	1,526,694
Total net position	\$ 4,117,465	\$ (10,247)	\$ 3,525,810	\$ 7,633,028

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, 2016

	Business-type Activities			Totals
	Enterprise Funds			
	Water Fund	Davis-Grunsky Fund	Sewer Fund	
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 2,573,831		\$ 1,847,189	\$ 4,421,020
Other	29,248		20,754	50,002
Total operating revenues	<u>2,603,079</u>		<u>1,867,943</u>	<u>4,471,022</u>
<b>OPERATING EXPENSES:</b>				
Salaries and wages	445,828		397,843	843,671
Payroll expenses	358,459		321,966	680,425
Utilities	257,145		85,753	342,898
Supplies, equipment, and materials	137,015		77,384	214,399
Repairs and maintenance	120,865		69,444	190,309
Professional services	88,894		57,931	146,825
Advertising, postage, and printing	26,085		10,544	36,629
Communications	23,669		13,823	37,492
Insurance	21,237		20,984	42,221
Miscellaneous	15,856		9,764	25,620
Licenses and permits	14,135		17,017	31,152
Employee development	12,523		16,008	28,531
Rents and leases	8,046		275	8,321
Janitorial	5,222		5,078	10,300
Memberships, dues, and subscriptions	3,204		2,939	6,143
Bad debt	2,292		1,296	3,588
Depreciation	680,626		466,733	1,147,359
Total operating expenses	<u>2,221,101</u>		<u>1,574,782</u>	<u>3,795,883</u>
Operating income	<u>381,978</u>		<u>293,161</u>	<u>675,139</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Property taxes	15,648	\$ 5,808		21,456
Interest earnings	2,768	23	370	3,161
Interest expense	(230,319)	(989)	(112,292)	(343,600)
Loss on disposal of capital assets	(77,239)		(13,555)	(90,794)
Amortization	(29,314)			(29,314)
Other expense	(3,355)		(39,039)	(42,394)
Other income	371		5,003	5,374
Total nonoperating revenues (expenses)	<u>(321,440)</u>	<u>4,842</u>	<u>(159,513)</u>	<u>(476,111)</u>
Change in net position	60,538	4,842	133,648	199,028
Net position - beginning	<u>4,056,927</u>	<u>(15,089)</u>	<u>3,392,162</u>	<u>7,434,000</u>
Net position - ending	<u>\$ 4,117,465</u>	<u>\$ (10,247)</u>	<u>\$ 3,525,810</u>	<u>\$ 7,633,028</u>

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, 2016

	Business-type Activities Enterprise Funds			Totals
	Water Fund	Davis-Grunsky Fund	Sewer Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers	\$ 2,581,745		\$ 1,897,108	\$ 4,478,853
Cash payments to suppliers for goods and services	(754,385)		(291,662)	(1,046,047)
Cash payments to/on behalf of employees	(825,830)		(729,353)	(1,555,183)
Net cash provided by operating activities	1,001,530		876,093	1,877,623
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Cash received from Federal grants	115,659			115,659
Cash received from taxes and assessments	15,648	\$ 9,206		24,854
Cash received from other nonoperating	371		5,003	5,374
Cash payments for other nonoperating	(3,355)		(39,037)	(42,392)
Net cash provided (used) by non-capital and related financing activities	128,323	9,206	(34,034)	103,495
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Purchase of capital assets	(181,117)		(163,998)	(345,115)
Proceeds from sale of capital assets	7,864		6,058	13,922
Interest paid on long-term debt	(238,535)	(989)	(115,442)	(354,966)
Principal paid on long-term debt	(462,408)	(8,803)	(241,629)	(712,840)
Net cash used by capital and related financing activities	(874,196)	(9,792)	(515,011)	(1,398,999)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest on investments	2,768	23	370	3,161
Net increase (decrease) in cash and cash equivalents	258,425	(563)	327,418	585,280
Cash and cash equivalents - beginning of year	2,404,932	17,583	1,539,907	3,962,422
Cash and cash equivalents - end of year	\$ 2,663,357	\$ 17,020	\$ 1,867,325	\$ 4,547,702
<b>RECONCILIATION TO THE STATEMENT OF NET POSITION:</b>				
Cash and equivalents	\$ 1,964,641	\$ 17,020	\$ 1,541,845	\$ 3,523,506
Restricted cash and equivalents	698,716		325,480	1,024,196
Cash and cash equivalents - end of year	\$ 2,663,357	\$ 17,020	\$ 1,867,325	\$ 4,547,702

(Continued)

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, 2016 (Continued)

	Business-type Activities Enterprise Funds			Totals
	Water Fund	Davis-Grunsky Fund	Sewer Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Operating income	\$ 381,978		\$ 293,161	\$ 675,139
Reconciliation of operating income to net cash provided (used) by operating activities				
Depreciation expense	680,626		466,733	1,147,359
(Increase) decrease in:				
Accounts receivable	(16,185)		30,462	14,277
Prepays and deposits	(10,757)		(9,209)	(19,966)
Due from other funds	(31,694)			(31,694)
Deferred outflows of resources	(120,339)		(85,537)	(205,876)
Increase (decrease) in:				
Accounts payable and accrued liabilities	24,139		83,902	108,041
Due to other funds			24,562	24,562
Deposits payable	(2,857)		(4,087)	(6,944)
Compensated absences	697		(638)	59
Net pension liability	253,220		179,989	433,209
Net OPEB obligation	(56,839)		(31,839)	(88,678)
Deferred inflows of resources	(100,459)		(71,406)	(171,865)
Net cash provided by operating activities	\$ 1,001,530	\$	\$ 876,093	\$ 1,877,623

**GROVELAND COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS**  
**JUNE 30, 2016**

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	<u>Agency Fund</u>
<b>ASSETS:</b>	
Restricted cash and investments	\$ 43,972
Total assets	<u>\$ 43,972</u>
<b>LIABILITIES:</b>	
Deposits	<u>\$ 43,972</u>
Total liabilities	<u>\$ 43,972</u>

# GROVELAND COMMUNITY SERVICES DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2016

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### 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 (the Board) 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

# GROVELAND COMMUNITY SERVICES DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2016

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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.

### 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.

# GROVELAND COMMUNITY SERVICES DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2016

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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.

# GROVELAND COMMUNITY SERVICES DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2016

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### 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. The County of Tuolumne functions as an agent for the property owners by collecting assessments and forwarding collections to the special-assessment debt-holders. The special assessment balances June 30, 2016, are as follows:

SAD #3	\$	40,380
SAD #4		<u>3,592</u>
Total Special Assessment Debt	\$	<u>43,972</u>

### 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 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 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 funds 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.

# GROVELAND COMMUNITY SERVICES DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2016

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### 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, liabilities and net position, the statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of resources that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Conversely, deferred inflows of resources represent an acquisition of resources that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Contributions made to the District's pension plan(s) after the measurement date but before the fiscal year end are recorded as a deferred outflow of resources and will reduce the net pension liability in the next fiscal year.

Additional factors involved in the calculation of the District's pension expense and net pension liability include the differences between expected and actual experience, changes in assumptions, differences between projected and actual investment earnings, changes in proportion, and differences between the District's contributions and proportionate share of contributions. These factors are recorded as deferred outflows and inflows of resources and amortized over various periods.

### K. PENSIONS

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

### L. 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 8 weeks and is paid in full upon termination or retirement. Employee can accumulate up to 300 hours of sick leave, but unused sick leave is compensable at one half the total sick time accrued upon termination or retirement.

# GROVELAND COMMUNITY SERVICES DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2016

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### M. 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 (the Board) 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 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.

### N. PROPERTY TAXES

The District receives property taxes from the 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.

### O. 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.



# GROVELAND COMMUNITY SERVICES DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2016

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### P. CURRENT YEAR GASB IMPLEMENTATION

For the year ended June 30, 2016, the District implemented GASB Statement No. 72 (GASB 72), Fair Value Measurement and Application. The primary objective of GASB 72 is to provide guidance for applying fair value to certain investments and disclosures related to all fair value measurements. There was no material impact on the District's financial statements as a result of the implementation of Statement No. 72. All required disclosures were added to Note 2.

### Q. FUTURE GASB STATEMENT IMPLEMENTATION

In June of 2015, the GASB issued GASB Statement 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, with required implementation for the District during the year ended June 30, 2018. The primary objective of GASB 75 is to improve accounting and financial reporting by state and local governments for other postemployment benefits (OPEB) 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 OPEB 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 75 is required to be implemented retroactively and will require a restatement of beginning net position.

## 2. CASH AND EQUIVALENTS

Cash and equivalents as of June 30, 2016, are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and equivalents	\$ 5,172,389
Restricted cash and equivalents	1,024,196
Fiduciary funds:	
Cash and equivalents	<u>43,972</u>
Total cash and equivalents	<u>\$ 6,240,557</u>

Cash and equivalents as of June 30, 2016, consist of the following:

Cash with financial institutions	\$ 1,679,075
Cash on hand	500
Cash and equivalents with LAIF	59
Cash in County Treasury	49,499
Money market	<u>4,511,424</u>
Total cash and equivalents	<u>\$ 6,240,557</u>

# GROVELAND COMMUNITY SERVICES DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2016

### 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. Separate complete financial statements are available at P.O. Box 942809, Sacramento, CA 94209-0001.

### Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that categorizes the inputs to valuation techniques used to measure fair value into three levels. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1      Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2      Inputs to the valuation methodology include inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly.
- Level 3      Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within a fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

LAIF is valued based on the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (Level 2 input).

### 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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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

# GROVELAND COMMUNITY SERVICES DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2016

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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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 value 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 County 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

# GROVELAND COMMUNITY SERVICES DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2016

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 represents 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 District's investment policy does 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 are in accounts collateralized by securities held by the pledging financial institution that total \$5,690,570.

### 3. CAPITAL ASSETS

#### Governmental Activities:

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Balance</u> <u>July 1,</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>
Capital assets, not being depreciated:				
Land	\$ 48,044			\$ 48,044
Total capital assets, not being depreciated	<u>48,044</u>			<u>48,044</u>
Capital assets, being depreciated:				
Structures and improvements	1,308,639	\$ 28,088	\$ (88,291)	1,248,436
Furnishings & Equipment	470,861	5,894	(244,426)	232,328
Vehicles	750,398		(50,645)	699,754
Total capital assets, being depreciated	<u>2,529,898</u>	<u>33,982</u>	<u>(383,362)</u>	<u>2,180,518</u>
Total accumulated depreciation	<u>(1,781,809)</u>	<u>(47,389)</u>	<u>330,791</u>	<u>(1,498,407)</u>
Total capital assets, being depreciated, net	<u>748,089</u>	<u>(13,407)</u>	<u>(52,571)</u>	<u>682,111</u>
Governmental activities capital assets, net	<u>\$ 796,133</u>	<u>\$ (13,407)</u>	<u>\$ (52,571)</u>	<u>\$ 730,155</u>

For the year ended June 30, 2016, depreciation expense was charged to functions as follows:

#### Governmental activities:

Public safety	\$ 31,566
Parks and recreation	15,823

**GROVELAND COMMUNITY SERVICES DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

Total depreciation expense \$ 47,389

**Business-Type Activities:**

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Balance July 1,</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2016</u>
Capital assets, not being depreciated:				
Land	\$ 420,392			\$ 420,392
Construction in progress	1,477,578	\$ 235,652	\$ (12,913)	1,700,317
Total capital assets, not being depreciated	<u>1,897,970</u>	<u>235,652</u>	<u>(12,913)</u>	<u>2,120,709</u>
Capital assets, being depreciated:				
Structures and improvements	30,521,864	5,083	(1,227,376)	29,299,571
Equipment	2,201,219	69,296	(572,025)	1,698,490
Vehicles	707,091	35,084	(130,606)	611,569
Total capital assets, being depreciated	<u>33,430,174</u>	<u>109,463</u>	<u>(1,930,007)</u>	<u>31,609,630</u>
Total accumulated depreciation	<u>(20,386,558)</u>	<u>(1,147,361)</u>	<u>1,825,291</u>	<u>(19,708,628)</u>
Total capital assets, being depreciated, net	<u>13,043,616</u>	<u>(1,037,898)</u>	<u>(104,716)</u>	<u>11,901,002</u>
Business-type activities capital assets, net	<u>\$ 14,941,586</u>	<u>\$ (802,246)</u>	<u>\$ (117,629)</u>	<u>\$ 14,021,711</u>

**4. LONG-TERM DEBT**

Long-term liability activity for the governmental activities the year ended June 30, 2016 was as follows:

<u>Governmental Activities</u>	<u>Restated Balance at June 30, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2016</u>	<u>Due within one year</u>
Net OPEB obligation (Note 5)	\$ 270,091	\$ 16,621	\$ (9,434)	\$ 277,278	
Compensated absences	1,392	1,112		2,504	\$ 2,504
Net pension liability (Note 5)	<u>22,199</u>	<u>9,730</u>	<u>(1,789)</u>	<u>30,140</u>	
Total	<u>\$ 293,682</u>	<u>\$ 27,463</u>	<u>\$ (11,223)</u>	<u>\$ 309,922</u>	<u>\$ 2,504</u>

# GROVELAND COMMUNITY SERVICES DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2016

Long-term liability activity for the business-type activities the year ended June 30, 2016 was as follows:

<u>Business-type Activities</u>	<u>Balance at June 30, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2016</u>	<u>Due within one year</u>
February 2014 Revenue Refunding Bonds	\$ 3,770,840		\$ (242,959)	\$ 3,527,881	\$ 251,908
June 2014 Revenue Refunding Bond	3,190,000		(210,000)	2,980,000	220,000
2013 Installment Sales Agreement	2,748,932		(204,449)	2,544,483	209,448
Davis-Grunsky Act loans	36,070		(8,803)	27,267	9,435
Special assessment bonds	30,000		(15,000)	15,000	15,000
Capital lease	133,456		(31,629)	101,827	32,759
Net OPEB obligation (Note 5)	582,879	\$ 194,225	(282,903)	494,201	
Compensated absences	64,585	59		64,645	64,645
Net pension liability (Note 5)	<u>1,177,601</u>	<u>528,111</u>	<u>(94,902)</u>	<u>1,610,810</u>	
Total	<u>\$ 11,734,363</u>	<u>\$ 722,395</u>	<u>\$ (1,090,645)</u>	<u>\$ 11,366,114</u>	<u>\$ 803,195</u>

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 issued the Water Revenue Refunding Bonds, Series 2014, dated February 1, 2014 (February 2014 Revenue Refunding Bonds) in the amount of \$4,024,000, with an interest rate of 3.65%, to refund the May 2007 Installment Sale Agreement. Payments are due semiannually on July 10 and January 10. Final maturity is on July 10, 2027.

The District issued the Wastewater Revenue Refunding Bonds, Series 2014, dated June 1, 2014 (June 2014 Revenue Refunding Bond) in the amount of \$3,450,000, with an interest rate of 3% through July 10, 2022 and then 4.15% through July 10, 2027, to refund the June 2007 Installment Sales Agreement. Payments are due semiannually on July 10 and January 10. Final maturity is on July 10, 2027.

### 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, 2016, the principal balance was \$21,660.

# GROVELAND COMMUNITY SERVICES DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2016

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, 2017. As of June 30, 2016, the principal balance was \$5,607.

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.

The District entered into a capital lease in the amount of \$169,850 with an interest rate of 4%. Principal and interest are payable annually with final maturity on September 1, 2018.

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

<b>Fiscal Year Ending</b>			
<b>June 30, 2016</b>	<b>Principal</b>	<b>Interest</b>	<b>Totals</b>
2017	\$ 738,550	\$ 334,546	\$ 1,073,096
2018	743,537	308,059	1,051,596
2019	769,470	282,367	1,051,837
2017	764,406	255,756	1,020,162
2021	791,179	229,433	1,020,612
2022-2026	4,376,824	702,470	5,079,294
2027-2028	1,012,492	45,149	1,057,641
Total	<u>\$ 9,196,458</u>	<u>\$ 2,157,780</u>	<u>\$ 11,354,238</u>

## 5. EMPLOYMENT RETIREMENT SYSTEMS

### DEFINED BENEFIT PENSION PLAN

The District provides pension benefits to its employees through the Groveland Community Services District Miscellaneous Plan, a cost-sharing multiple-employer defined benefit pension plan maintained by CalPERS, an agency of the State of California. Qualified employees are covered under the Miscellaneous 2.7% at 55 Risk Pool (the Plan). CalPERS acts as a common investment and administrative agent for participating public entities within the State of California.

CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. This report is available online at [www.calpers.ca.gov](http://www.calpers.ca.gov).

### Benefits Provided

The benefits for the Plan are established by contract with CalPERS, in accordance with the provisions of the California Public Employees' Retirement Law (PERL). The benefits are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. To be eligible for service retirement, members must be at least 50 and a minimum of five years of CalPERS-credited service. Members after January 1, 2013 must be at least 52.

# GROVELAND COMMUNITY SERVICES DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2016

### Contributions

Section 20814(c) of the PERL requires employer contribution rates for all public employers be determined on an annual basis by the actuary and are effective on the July 1 following notice of a change in the rate. The contributions are determined through the CalPERS' annual actuarial valuation process. The actuarially determined rate is based on the estimated amount necessary to pay the Plans allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The District's required contribution rate on covered payroll for the measurement period ended June 30, 2014 (the measurement date) was 13.6% of annual pay. Employer contributions rates may change if the Plan contract is amended.

### Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

The District's Net Pension Liability (NPL) for the Plan is measured as the proportionate share of the NPL. The NPL of the Plan is measured as of June 30, 2015 for the year ended June 30, 2016. The total pension liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. As of June 30, 2016, the District's proportionate share of the Plan's net pension liability (NPL) was \$1,640,950.

Using the District's individual employer rate plan's share of the risk pool TPL and Fiduciary Net Position (FNP), the proportionate shares of the TPL and FNP at the measurement date are determined for the District by the actuary. The District's employer allocation factor for the Plan as of June 30, 2015 was as follows:

	<b>Miscellaneous Plan</b>	
	<b>Classic</b>	<b>PEPRA</b>
Actuarial Accrued Liability	.054901%	.000011%
Market Value of Assets	.053663%	.000015%
Deferred Outflows/Inflows of Resources and Pension Expense	.033025%	.001298%

For the year ended June 30, 2015, the District recognized pension expense of \$214,258. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Pension contributions subsequent to measurement date	\$ 157,772	
Net differences between expected versus actual experience	6,421	
Changes in assumptions		\$ (61,220)
Net differences between projected and actual earnings on plan investments	159,969	(187,609)
Total	\$ 321,162	\$ (248,829)



# GROVELAND COMMUNITY SERVICES DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2016

The \$157,772 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the NPL in the year ending June 30, 2016. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	
2017	\$ (42,860)
2018	(42,860)
2019	(38,950)
2020	<u>39,230</u>
Total	<u>\$ (85,440)</u>

### Actuarial Assumptions

For the measurement period ended June 30, 2015 (the measurement date), the TPL was determined by rolling forward the June 30, 2014 TPL. The June 30, 2014 and June 30, 2015 TPL were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table <sup>(1)</sup>	Derived using CalPERS' Membership data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

<sup>(1)</sup> The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

### Changes in Assumptions

GASB 68 states that the long-term expected rate of return should be determined net pension plan investment expenses, but without reduction for pension plan administrative expense. The discount rate changes from 7.50% (net of administrative expenses in 2014) to 7.65% as of the June 30, 2015 measurement date to correct the adjustment, which previously reduced the discount rate for administrative expenses.

# GROVELAND COMMUNITY SERVICES DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2016

### Discount Rate

The discount rate used to measure the TPL was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is appropriate and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The long-term expected real rates of return by asset class can be found in CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015.

### Sensitivity of the District's Proportional Share of the NPL to Changes in the Discount Rate

The following presents the District's Proportional Share of the NPL of the Plan as of the measurement date, calculated using the discount rate of 7.65%, as well as what the District's Proportional Share of the NPL would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65%) or 1 percentage-point higher (8.65%) than the current rate:

	<u>Discount Rate – 1% (6.65%)</u>	<u>Current Discount Rate (7.65%)</u>	<u>Discount Rate + 1% (8.65%)</u>
District's Proportionate Share of Plan's NPL	\$ 2,751,988	\$ 1,640,950	\$ 723,659

### OTHER POSTEMPLOYMENT BENEFIT

Employees who, 1) retire from the District after at least the minimum number of years of service, as specified by their contract with the District, and 2) who continue health insurance through a District-sponsored health insurance plan, will continue to pay their health insurance premium, at the same level of

# GROVELAND COMMUNITY SERVICES DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2016

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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, 2016, the District has 13 retirees receiving benefits and 12 active participants. During the year ended June 30, 2014, the District elected to participate in an irrevocable trust. The Trust, California Employers' Retiree Trust (CERBT) fund, is administered by CalPERS. The District's policy is to prefund their benefits from time to time at the sole discretion of the Board by accumulating assets in CERBT. The Board reserves the District's authority to review and amend this financing policy from time to time to ensure that the funding policy continues to best suit the circumstances of the District. During the year ended June 30, 2016, the District contributed \$175,200 to CERBT.

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	.06
Ultimate trend rate	.05
Health cost trend rate	.05 - .08
Age adjustment factor	.03
Assumed retirement age	60
Cap inflator (full inflation)	-1
Percent of retirees with spouses	.5

# GROVELAND COMMUNITY SERVICES DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2016

Annual required contribution	\$ 210,846
Interest on net OPEB obligation	
Adjustment to annual required contribution	
Annual OPEB expense	210,846
Contributions made	(292,337)
Decrease in OPEB obligation	(81,491)
Net OPEB obligation at July 1, 2015	852,970
Net OPEB obligation at June 30, 2016	\$ 771,479

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net obligation for June 30, 2016 and the preceding two years is as follows:

<u>Fiscal year ended</u>	<u>Annual OPEB cost</u>	<u>% of annual OPEB expense contributed</u>	<u>Net OPEB obligation</u>
6/30/14	\$ 240,788	72%	\$ 847,165
6/30/15	\$ 240,788	98%	\$ 852,970
6/30/16	\$ 210,846	139%	\$ 771,479

The District's funding status for other postemployment benefits as of the most recent valuation is as follows:

<u>Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ([b - a] / c)</u>
7/1/15	\$ 231,581	\$ 2,381,167	\$ 2,149,586	10%	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 financial information as of June 30, 2014:

Total Assets	\$ 107,630,328		
Total Deferred Outflows of Resources	973,962	Total Operating Revenues	\$ 55,678,280
Total Liabilities	59,619,796	Total Operating Expenses	60,652,085
Total Deferred Inflows of Resources	294,368	Total Nonoperating income	1,338,581
Total Net Position	\$ 48,690,126	Change in Net Position	\$ (3,635,224)

**REQUIRED SUPPLEMENTARY INFORMATION**

**GROVELAND COMMUNITY SERVICES DISTRICT**

**SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS  
JUNE 30, 2016**

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<b>Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b - a) / c)</b>
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
7/1/13	\$ 0	\$ 2,066,439	\$ 2,066,439	0%	N/A	N/A
7/1/15	\$ 231,581	\$ 2,381,167	\$ 2,149,586	10%	N/A	N/A

# GROVELAND COMMUNITY SERVICES DISTRICT

## BUDGETARY COMPARISON SCHEDULE FIRE PROTECTION FUND YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 914,000	\$ 914,000	\$ 965,762	\$ 51,762
Interest earnings	500	500	1,704	1,204
Other revenue			87,731	87,731
Total revenues	914,500	914,500	1,055,197	140,697
<b>EXPENDITURES:</b>				
Public safety	1,150,253	1,150,253	953,318	196,935
Capital outlay	5,500	5,500		5,500
Total expenditures	1,155,753	1,155,753	953,318	202,435
Net change in fund balance	(241,253)	(241,253)	101,879	343,132
Fund balances - beginning	1,129,649	1,129,649	1,129,649	
Fund balances - ending	\$ 888,396	\$ 888,396	\$ 1,231,528	\$ 343,132

# GROVELAND COMMUNITY SERVICES DISTRICT

## BUDGETARY COMPARISON SCHEDULE PARKS AND RECREATION FUND YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>REVENUES:</b>				
Property taxes	\$ 77,900	\$ 77,900	\$ 83,979	\$ 6,079
Interest earnings			1,852	1,852
Charges for services	2,500	3,000	1,485	(1,515)
Other revenue				
Total revenues	<u>80,400</u>	<u>80,900</u>	<u>87,316</u>	<u>6,416</u>
<b>EXPENDITURES:</b>				
Culture-recreation	84,927	84,927	66,508	18,419
Capital outlay	<u>28,000</u>	<u>28,000</u>	<u>33,982</u>	<u>(5,982)</u>
Total expenditures	<u>112,927</u>	<u>112,927</u>	<u>100,490</u>	<u>12,437</u>
Net change in fund balance	(32,527)	(32,027)	(13,174)	18,853
Fund balances - beginning	<u>213,819</u>	<u>213,819</u>	<u>213,819</u>	
Fund balances - ending	<u>\$ 181,292</u>	<u>\$ 181,792</u>	<u>\$ 200,645</u>	<u>\$ 18,853</u>



# GROVELAND COMMUNITY SERVICES DISTRICT

## SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS OF JUNE 30, 2016 LAST 10 YEARS\*

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<i>Measurement Period</i>	<u>2016</u>	<u>2015</u>
The District's proportion of the net pension liability	.059813%	.01928%
The District's proportionate share of the net pension liability	\$ 1,640,950	\$ 1,199,800
The District's covered employee payroll	\$ 909,010	\$ 898,662
The District's proportionate share of the net pension liability as a percentage of their covered employee payroll	180.52%	133.51%
Plan fiduciary net position as a percentage of the total pension liability	78.4%	81.15%

\* - Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

### Notes to Schedule:

**Change of benefit terms.** In 2016 and 2015, there were no changes to the benefit terms.

**Changes in assumptions.** GASB 68 states that the long-term expected rate of return should be determined net pension plan investment expenses, but without reduction for pension plan administrative expense. The discount rate changes from 7.50% (net of administrative expenses in 2014) to 7.65% as of the June 30, 2015 measurement date to correct the adjustment, which previously reduced the discount rate for administrative expenses.

# GROVELAND COMMUNITY SERVICES DISTRICT

## SCHEDULE OF CONTRIBUTIONS AS OF JUNE 30, 2016 LAST 10 YEARS\*

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	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 157,772	\$ 96,691
Contributions in relation to the contractually required contributions	<u>(157,772)</u>	<u>(96,691)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>
District's covered-employee payroll	\$ 704,247	\$ 909,010
Contributions as a percentage of covered-employee payroll	22.4%	10.64%

\* - Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown