

**GROVELAND
COMMUNITY SERVICES DISTRICT
BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

GROVELAND COMMUNITY SERVICES DISTRICT

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Independent Auditor's Report

The Honorable Members of the Board of Directors
Groveland Community Services District
Groveland, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the fiduciary fund of the Groveland Community Services District, California (District), as of and for the fiscal year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the District's management. 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic 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 fiduciary fund of the Groveland Community Services District, California, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 of the notes to the basic financial statements, effective July 1, 2011, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 20, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 to 6, the trend information of the post-employment benefits other than pensions on page 37, budgetary comparison information for Fire Protection Fund on page 38, and Parks and Recreation Fund on page 39 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.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
March 20, 2013

**GROVELAND COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2012**

The management's discussion and analysis of the Groveland Community Services District (GCSD) is an overview of the District's financial activity for the fiscal year ended June 30, 2012 and is meant to be read in conjunction with GCSD's financial statements which follow this section.

GCSD was formed as an independent special district in 1953 under the Community Services District Law, Section 61000, et.seq. of the California Government Code. The District is a political subdivision of the State of California and operates under a Board of Directors-Manager form of government. A five-member elected Board of Directors governs by setting policy with each Director serving a four-year term. The GCSD is a multi-function special district providing water treatment and distribution, wastewater collection and treatment, fire suppression and emergency medical services, and parks and recreation.

Basis of Accounting and Measurement Focus

The accounting system of GCSD is organized and operated on a fund basis. A fund is a separate accounting and financial reporting entity with a self-balancing set of accounts. All of the funds of GCSD are considered to be major funds.

The *basis of accounting* refers to when revenues and expenses/expenditures are recognized and reported. Governmental funds use the *modified accrual basis of accounting* whereby revenues are recognized when measurable (amounts can be estimated or determined) and available (amounts were collected during the current reporting period), and expenditures are generally recognized when incurred. Proprietary funds use the *accrual basis of accounting* whereby revenue is recorded when earned and expenses are recognized when the event occurs.

The *measurement focus* refers to what transactions are being recorded (or measured). Governmental fund financial statements are prepared using the *current financial resources measurement focus* whereby the statements only reflect transactions that involve current financial resources (assets that will be turned into cash to satisfy current liabilities), thus long term assets and liabilities will not be recorded. Proprietary fund financial statements are prepared using the *economic resources measurement focus* whereby the statements reflect all transactions regardless of whether they affect current financial resources, thus capital assets and long term loans are recorded.

Overview of the Financial Statements

Government-wide Financial Statements are designed to provide readers with a broad overview of the District's finances. Both statements include all of the District's funds. The **Statement of Net Assets** presents the District's assets and liabilities, with the difference between the two reported as net assets. The net assets balance is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether the District's financial health is improving or deteriorating. The **Statement of Activities** presents the District's activities by function and shows how the net assets changed during the most recent fiscal year.

Fund Financial Statements are separated into governmental funds and proprietary funds:

Financial Statements for the Governmental Funds - Fire Department and Parks and Recreation

The *Balance Sheet* presents the assets (resources that enable it to provide services), liabilities (financial obligations), and fund balance (essentially, what would be left over if the assets were used to satisfy the liabilities) of the governmental funds. The assets and liabilities are current in nature. The term fund balance is used to indicate the difference between assets and liabilities rather than the term net assets used in the government-wide statements.

The *Reconciliation of the Governmental Funds Balance Sheet to the Government Wide Statement of Net Assets* reconciles the difference in accounting bases and measurement focuses (capital assets and long-term liabilities appear in the government wide financial statements but do not appear in the governmental fund statements).

The *Statement of Revenues, Expenditures, and Changes in Fund Balances* is the governmental funds' operating statement. Revenues are presented by source and expenditures by function with the difference reported as a net change in fund balance. The prior fiscal year fund balance plus or minus the net change in fund balance must equal the fund balance reported on the balance sheet.

The *Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government Wide Statement of Activities* describes the items making up the difference between net change in fund balance and change in governmental activities net assets.

Financial Statements for the Proprietary (Enterprise) Funds - Water and Wastewater (sewer) Fund

The *Statement of Net Assets* presents the assets and liabilities of the proprietary funds with the difference between them shown as net assets. The two types of net assets shown are 1) invested in capital assets, net of related debt, which is the book value of the capital assets reduced by any outstanding debt used to acquire the assets, and 2) unrestricted.

The *Statement of Revenues, Expenses, and Changes in Net Assets* is the operating statement for the proprietary funds. This statement shows whether the District was successful in recovering its costs through utility fees and other related charges and also displays how the net assets changed during the fiscal year.

The *Statement of Cash Flows* provides information about cash receipts and cash disbursements. It shows changes in cash balances as a result of operating, investing, and financing activities and shows where cash came from, cash usage, and the change in cash balances during the reporting period.

Notes to the Financial Statements. The notes provide additional information to assist the reader in understanding the information found in the financial statements.

Required Supplementary Information. This section reports budget to actual comparisons for the Governmental funds and provides funding progress information on post-employment benefits other than pensions.

Government-wide Financial Statements

Net Assets

The District's main assets are capital assets and cash and investments. As of June 30, 2012 the District has \$4,286,167 of cash and investments, of which \$2,040,887 is restricted as debt coverage reserves and debt service reserves. Capital assets at June 30, 2012 is \$18,033,319, of which \$668,071 is non-depreciable and \$17,365,248 is depreciable. Other assets include accounts receivable, inventory, assessments receivable, and deferred charges.

The District's main liabilities consist of long-term debt of \$12,454,002. Other liabilities include accounts payable, accrued liabilities, interest payable, deposits payable, and settlement payable.

Change in Net Assets

Business Activities

The District saw a slight decrease in total revenue for the water and wastewater funds. Personnel expense was reduced \$110,948 mainly by reducing overtime and leaving open a vacant position for the balance of the fiscal year. The \$98,299 decrease in maintenance and repair/operating supplies and equipment is due to tight controls on purchasing and a repair rather than replace policy. The cost of Professional Services increased by \$106,444 largely due to the cost of Special Counsel to assist the District with settlement of Notices of Violation by the State Water Resources Control Board (see Note 8 on page 34). The \$22,610 decrease shown in Licenses and Fees is due to FY 2010-11 expenses related to the Notices of Violation that were included in this line item but for FY 2011-12 are included in Professional Services. Overall, Business activities decreased the District's net assets by \$565,238 largely due to depreciation expense.

Governmental Activities

A decrease in property tax revenue was partially offset by donations and Strike Team revenue generated by the Fire Department, for a net revenue reduction of \$21,217. Overall, Governmental activities decreased the District's net assets by \$172,647, largely due to depreciation expense and OPEB liabilities.

Long Term Debt

The District's outstanding debt is shown in the following table. Included in long term debt are the compensated absences and other post-employment benefit liabilities (OPEB). There was no new debt incurred in FY 2011-12. Debt balances were reduced during the fiscal year by \$618,921 and compensated absences and OPEB increased by \$200,563 for a net decrease of \$433,459. For additional information on the District's long term debt and OPEB liabilities, refer to Note 4 on page 30 and Note 10 on page 35, respectively, of the Notes to the Basic Financial Statements.

	Gov't Activities		Business Activities		Total		(Decrease)
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	
Long Term Debt							
Revenue Bonds Payable			\$ 3,345,000	\$ 3,520,000	\$ 3,345,000	\$ 3,520,000	\$ (175,000)
Water Installment Sale Agreement			4,298,305	4,483,156	4,298,305	4,483,156	(184,851)
Sewer Installment Sale Agreement			3,856,696	4,020,487	3,856,696	4,020,487	(163,791)
Equipment Lease/Purchase Agrmt.	\$ 3,599	\$ 10,487	34,093	99,281	37,692	109,768	(72,076)
Davis-Grunsky Act (State) Loans			61,406	69,249	61,406	69,249	(7,843)
Special Assessment Bonds			54,000	62,000	54,000	62,000	(8,000)
Service Truck Loan			10,667	18,028	10,667	18,028	(7,361)
Premium on Installment Sale Agrmt.			84,199	89,861	84,199	89,861	(5,662)
Deferred Gain on Refunding			132,169	141,608	132,169	141,608	(9,439)
Compensated Absences	119,256	105,438	65,110	72,073	184,366	177,511	6,855
Other Post Employment Benefits (OPEB)	208,205	142,480	405,425	277,442	613,630	419,922	193,708
Total	\$ 331,060	\$ 258,405	\$ 12,347,070	\$ 12,853,185	\$ 12,678,130	\$ 13,111,590	\$ (433,460)

Capital Assets

	Governmental Activities		Business-type Activities		Total		Increase/ (Decrease)
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	
Capital Assets							
Non-Depreciable Capital Assets	\$ 48,044	\$ 93,518	\$ 620,027	\$ 449,230	\$ 668,071	\$ 542,748	\$ 125,323
Depreciable Capital Assets	2,578,063	2,501,482	34,121,776	33,944,505	36,699,839	36,445,987	253,852
Less Accumulated Depreciation	(1,579,735)	(1,449,079)	(17,754,856)	(16,530,925)	(19,334,591)	(17,980,004)	(1,354,587)
Total Assets	\$ 1,046,372	\$ 1,145,921	\$ 16,986,947	\$ 17,862,810	\$ 18,033,319	\$ 19,008,731	\$ (975,412)

The District's investment in capital assets, net of accumulated depreciation, for its governmental and business type funds as of June 30, 2012, amounts to \$18,033,319. Capital assets include land, buildings, improvements other than buildings, tools and equipment, vehicles, park facilities, water treatment plants and distribution, and wastewater treatment plant and collection systems.

Major capital assets acquired during the fiscal year for the business type activities were the Yosemite Highlands Pump Station Upgrade, Emergency Generators at the Water Tanks, ATI Ammonia Analyzers, and the Spray Field Pump Station Replacement.

Capital asset additions during the fiscal year for the Government activities included a turnout extractor washing machine and new floor at Fire Station No. 1, and a community park lighting upgrade.

It should be noted that the District is not currently funding capital asset recovery. For additional information on the District's capital assets, refer to Note 3 on page 29 of the Basic Financial Statements.

Governmental Fund Budgetary Variances

During the fiscal year, actual revenues exceeded budgetary estimates. The increase was mainly due to property tax revenue and a reimbursement from Tuolumne County for costs incurred on a joint Park lighting upgrade project with Pacific Gas & Electric. Actual expenditures were lower than budget estimates. There were three capital projects that had not begun, fire volunteer wages not paid and a vacant firefighter position not filled by the end of the fiscal year.

Conditions of Future Significance

The unfunded OPEB liability stated in Note 10 was actuarially determined in 2009 based on 29 employees and 10 retirees. There are currently 23 full-time employees and 9 retirees and the count will be further reduced by an Agreement with Cal Fire to provide fire services to the GCSD, that when concluded in April 2013, will transition five full-time firefighters to State employment. A new actuarial study, to be prepared in 2013, may show a decrease in the OPEB liability depending on the assumptions.

The District's customer base remains constant, however there has been almost no growth in impact fees since FY 2006-07. This directly impacts capital revenue resulting in capital projects being financed by operating revenue. The FY 2012-13 operating budget, adopted by the Board of Directors on August 21, 2012, did not include water or wastewater rate increases and projected modest transfers from operational reserves in all but the Fire fund.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the finances of Groveland Community Services District. If you have questions concerning any of the information provided in this report, please contact the District office at 209-962-7161.

BASIC FINANCIAL STATEMENTS

GROVELAND COMMUNITY SERVICES DISTRICT
STATEMENT OF NET ASSETS
June 30, 2012

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Current Assets:			
Cash and investments	\$ 990,927	\$ 1,254,353	\$ 2,245,280
Restricted cash and investments		2,040,887	2,040,887
Accounts receivable		581,856	581,856
Inventory	8,240	43,923	52,163
Total Current Assets	<u>999,167</u>	<u>3,921,019</u>	<u>4,920,186</u>
Non-current Assets:			
Assessments receivable		30,796	30,796
Deferred charges, net of accumulated amortization		701,552	701,552
Capital assets:			
Not being depreciated	48,044	620,027	668,071
Being depreciated, net of accumulated depreciation	998,328	16,366,920	17,365,248
Total Non-current Assets	<u>1,046,372</u>	<u>17,719,295</u>	<u>18,765,667</u>
Total Assets	<u>2,045,539</u>	<u>21,640,314</u>	<u>23,685,853</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	26,565	205,986	232,551
Interest payable	68	232,710	232,778
Deposits payable	200	39,589	39,789
Settlement payable		46,875	46,875
Current portion of long-term liabilities	57,264	639,907	697,171
Total Current Liabilities	<u>84,097</u>	<u>1,165,067</u>	<u>1,249,164</u>
Non-current Liabilities			
Compensated absences	65,591	35,810	101,401
Deferred gain on refunding		122,728	122,728
Premium, net of accumulated amortization		78,539	78,539
Settlement payable		140,625	140,625
Long-term liabilities, net of current portion	208,205	11,470,087	11,678,292
Total Non-current Liabilities	<u>273,796</u>	<u>11,847,789</u>	<u>12,121,585</u>
Total Liabilities	<u>357,893</u>	<u>13,012,856</u>	<u>13,370,749</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,042,773	8,130,624	9,173,397
Unrestricted	644,873	496,834	1,141,707
Total Net Assets	<u>\$ 1,687,646</u>	<u>\$ 8,627,458</u>	<u>\$ 10,315,104</u>

See Accompanying Notes to Basic Financial Statements

**GROVELAND COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Public safety	\$ 1,358,590	\$ -	\$ -	\$ -
Parks and recreation	125,727	1,845		
Interest on long-term debt	<u>265</u>			
Total Governmental Activities	<u>1,484,582</u>	<u>1,845</u>		
Business-type Activities:				
Water	2,795,386	2,535,870		
Davis-Grunsky	1,949			
Sewer	<u>2,292,820</u>	<u>1,871,642</u>		
Total Business-type Activities	<u>5,090,155</u>	<u>4,407,512</u>		
Total Primary Government	<u>\$ 6,574,737</u>	<u>\$ 4,409,357</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

Taxes:

Property taxes

Use of money and property

Other revenue

Total General Revenues

Change in Net Assets

Net Assets - Beginning of Fiscal Year

Prior Period Adjustments

Net Assets - Beginning of Fiscal Year, Restated

Net Assets - End of Fiscal Year

See Accompanying Notes to Basic Financial Statements

Net (Expenses) Revenues
and Changes in Net Assets

Governmental Activities	Business-type Activities	Totals
\$ (1,358,590)	\$ -	\$ (1,358,590)
(123,882)		(123,882)
<u>(265)</u>		<u>(265)</u>
<u>(1,482,737)</u>		<u>(1,482,737)</u>
	(259,516)	(259,516)
	(1,949)	(1,949)
	<u>(421,178)</u>	<u>(421,178)</u>
	(682,643)	(682,643)
<u>(1,482,737)</u>	<u>(682,643)</u>	<u>(2,165,380)</u>
1,269,155	10,574	1,279,729
2,070	68,667	70,737
<u>38,865</u>	<u>38,164</u>	<u>77,029</u>
<u>1,310,090</u>	<u>117,405</u>	<u>1,427,495</u>
<u>(172,647)</u>	<u>(565,238)</u>	<u>(737,885)</u>
1,860,293	9,140,696	11,000,989
	52,000	52,000
<u>1,860,293</u>	<u>9,192,696</u>	<u>11,052,989</u>
<u>\$ 1,687,646</u>	<u>\$ 8,627,458</u>	<u>\$ 10,315,104</u>

**GROVELAND COMMUNITY SERVICES DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012**

	Fire Protection	Parks and Recreation	Total Governmental Funds
ASSETS			
Assets:			
Cash and investments	\$ 819,770	\$ 171,157	\$ 990,927
Inventory	8,240		8,240
Total Assets	\$ 828,010	\$ 171,157	\$ 999,167
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 10,690	\$ 8,689	\$ 19,379
Accrued payroll	7,017	169	7,186
Deposits payable		200	200
Total Liabilities	17,707	9,058	26,765
Fund Balances:			
Assigned for fire protection	810,303		810,303
Assigned for parks and recreation		162,099	162,099
Total Fund Balances	810,303	162,099	972,402
Total Liabilities and Fund Balances	\$ 828,010	\$ 171,157	\$ 999,167

See Accompanying Notes to Basic Financial Statements

**GROVELAND COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS
June 30, 2012**

Fund balances for governmental funds	\$	972,402
Amounts reported for governmental activities in the statement of net assets 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.		1,046,372
In the governmental funds balance sheet, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred.		(68)
Long-term debt liabilities are not due and payable in the current period and therefore, are not reported in the funds.		
Equipment lease/purchase agreement	\$ (3,599)	
Post-employment benefits other than pensions	(208,205)	
Compensated absences	<u>(119,256)</u>	<u>(331,060)</u>
Net assets of governmental activities	\$	<u><u>1,687,646</u></u>

See Accompanying Notes to Basic Financial Statements

GROVELAND COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2012

	<u>Fire Protection</u>	<u>Parks and Recreation</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes and assessments	\$ 1,201,039	\$ 68,116	\$ 1,269,155
Use of money and property		2,070	2,070
Charges for services		1,845	1,845
Other revenues	27,528	11,337	38,865
	<u>1,228,567</u>	<u>83,368</u>	<u>1,311,935</u>
Total Revenues			
EXPENDITURES			
Current:			
Public safety	1,177,700		1,177,700
Culture-recreation		96,418	96,418
Capital outlay	25,552	5,555	31,107
Debt service:			
Principal	6,888		6,888
Interest	394		394
	<u>1,210,534</u>	<u>101,973</u>	<u>1,312,507</u>
Total Expenditures			
Net Change in Fund Balances	18,033	(18,605)	(572)
Fund Balances, Beginning of Fiscal Year	<u>792,270</u>	<u>180,704</u>	<u>972,974</u>
Fund Balances, End of Fiscal Year	<u>\$ 810,303</u>	<u>\$ 162,099</u>	<u>\$ 972,402</u>

See Accompanying Notes to Basic Financial Statements

**GROVELAND COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012**

Net change in fund balances - total governmental funds \$ (572)

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	\$ 31,107	
Depreciation expense not reported in governmental funds	<u>(130,656)</u>	(99,549)

Proceeds from long-term debt provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets, the repayment reduces long-term liabilities:

Repayment of debt principal	6,888
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Other postemployment benefits payable was added to the Statement of Net Assets in the current period. This is the amount of the change in the payable in the current period.	(65,725)
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Accrued interest is interest due on long-term debt payable. This is the net change in accrued interest during the current period.	129
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Compensated absence expenditures reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. This is the net change in compensated absences during the current period.	<u>(13,818)</u>
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Change in net assets of governmental activities	<u><u>\$ (172,647)</u></u>
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See Accompanying Notes to Basic Financial Statements

**GROVELAND COMMUNITY SERVICES DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 June 30, 2012**

	Business-type Activities Enterprise Funds			Totals
	Water Fund	Davis-Grunsky Fund	Sewer Fund	
ASSETS				
Current Assets:				
Cash and investments	\$ 980,319	\$ 19,500	\$ 254,534	\$ 1,254,353
Accounts receivable - net	290,060		291,796	581,856
Inventory	29,874		14,049	43,923
Restricted cash and investments	1,320,636		720,251	2,040,887
Total current assets	2,620,889	19,500	1,280,630	3,921,019
Non-current Assets:				
Assessments receivable		30,796		30,796
Deferred charges - net of accumulated amortization	679,802		21,750	701,552
Total non-current assets	679,802	30,796	21,750	732,348
Capital Assets:				
Land	14,815		405,577	420,392
Construction in progress	127,695		71,940	199,635
Structures and improvements	16,586,759		14,682,302	31,269,061
Equipment	826,091		1,251,611	2,077,702
Vehicles	217,671		557,342	775,013
Total capital assets	17,773,031		16,968,772	34,741,803
Less accumulated depreciation	(8,173,745)		(9,581,111)	(17,754,856)
Total capital assets - net of accumulated depreciation	9,599,286		7,387,661	16,986,947
Total Assets	12,899,977	50,296	8,690,041	21,640,314

(Continued)

See Accompanying Notes to Basic Financial Statements

GROVELAND COMMUNITY SERVICES DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
June 30, 2012
(Continued)

	Business-type Activities Enterprise Funds			Totals
	Water Fund	Davis-Grunsky Fund	Sewer Fund	
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 111,931	\$ -	\$ 79,711	\$ 191,642
Accrued payroll	6,687		7,657	14,344
Interest payable	142,467		90,243	232,710
Deposits	32,101		7,488	39,589
Settlement payable			46,875	46,875
Long-term debt - current	423,027	8,073	208,807	639,907
Total current liabilities	716,213	8,073	440,781	1,165,067
Long-term Liabilities:				
Compensated absences	21,517		14,293	35,810
Deferred gain on refunding	122,728			122,728
Premium - net of accumulated amortization	78,539			78,539
Settlement payable			140,625	140,625
Long-term debt - noncurrent	7,561,373	53,333	3,855,381	11,470,087
Total long-term liabilities	7,784,157	53,333	4,010,299	11,847,789
Total Liabilities	8,500,370	61,406	4,451,080	13,012,856
NET ASSETS				
Invested in capital assets, net of related debt	3,883,848		4,246,776	8,130,624
Unrestricted	515,759	(11,110)	(7,815)	496,834
Total Net Assets (Deficit)	\$ 4,399,607	\$ (11,110)	\$ 4,238,961	\$ 8,627,458

See Accompanying Notes to Basic Financial Statements

GROVELAND COMMUNITY SERVICES DISTRICT
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2012

	Business-type Activities			Totals
	Enterprise Funds			
	Water Fund	Davis-Grunsky Fund	Sewer Fund	
Operating Revenues:				
Charges for services	\$ 2,494,189	\$ -	\$ 1,851,346	\$ 4,345,535
Other	41,681		20,296	61,977
Total operating revenues	<u>2,535,870</u>		<u>1,871,642</u>	<u>4,407,512</u>
Operating Expenses:				
Salaries and wages	575,392		511,267	1,086,659
Payroll expenses	389,414		346,333	735,747
Professional services	38,762		162,004	200,766
Insurance	26,899		26,834	53,733
Janitorial	4,028		4,028	8,056
Supplies, equipment, and materials	175,753		109,251	285,004
Communications	15,081		14,504	29,585
Rents and leases	10,394		659	11,053
Utilities	218,432		91,856	310,288
Repairs and maintenance	121,053		61,849	182,902
Advertising, postage, and printing	19,764		9,924	29,688
Memberships, dues, and subscriptions	4,721		2,769	7,490
Employee development	19,568		28,011	47,579
Licenses and permits	8,192		18,531	26,723
Miscellaneous	17,969		8,505	26,474
Bad debt	9,113		9,803	18,916
Depreciation	723,323		504,351	1,227,674
Total operating expenses	<u>2,377,858</u>		<u>1,910,479</u>	<u>4,288,337</u>
Operating income (loss)	<u>158,012</u>		<u>(38,837)</u>	<u>119,175</u>
Non-Operating Revenues (Expenses):				
Taxes and assessments	10,660	(86)		10,574
Investment earnings	33,404		35,263	68,667
Interest expense	(382,869)	(1,949)	(192,082)	(576,900)
Loss on disposal of capital assets			(1,309)	(1,309)
Settlement expense			(187,500)	(187,500)
Amortization	(33,003)		(1,450)	(34,453)
Other expense	(1,656)			(1,656)
Other income	25,161		13,003	38,164
Total non-operating revenues (expenses)	<u>(348,303)</u>	<u>(2,035)</u>	<u>(334,075)</u>	<u>(684,413)</u>
Change in net assets	<u>(190,291)</u>	<u>(2,035)</u>	<u>(372,912)</u>	<u>(565,238)</u>
Net assets at July 1, 2011	4,566,898	(9,075)	4,582,873	9,140,696
Prior period adjustments	23,000		29,000	52,000
Net assets(deficit) at July 1, 2011, restated	<u>4,589,898</u>	<u>(9,075)</u>	<u>4,611,873</u>	<u>9,192,696</u>
Net assets(deficit) at June 30, 2012	<u>\$ 4,399,607</u>	<u>\$ (11,110)</u>	<u>\$ 4,238,961</u>	<u>\$ 8,627,458</u>

See Accompanying Notes to Basic Financial Statements

**GROVELAND COMMUNITY SERVICES DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 For the Fiscal Year Ended June 30, 2012**

	Business-type Activities Enterprise Funds			Totals
	Water Fund	Davis-Grunsky Fund	Sewer Fund	
Cash Flows from Operating Activities:				
Receipts from customers	\$ 2,514,150	\$ -	\$ 1,866,032	\$ 4,380,182
Payments to suppliers and users	(1,009,720)		(836,153)	(1,845,873)
Payments to employees	(500,498)		(459,621)	(960,119)
Net cash provided by operating activities	<u>1,003,932</u>		<u>570,258</u>	<u>1,574,190</u>
Cash Flows from Non-Capital and Related Financing Activities:				
Taxes and assessments	10,660	8,895		19,555
Other income	25,161		13,003	38,164
Other expenses	(1,656)			(1,656)
Net cash provided (used) by non-capital and related financing activities	<u>34,165</u>	<u>8,895</u>	<u>13,003</u>	<u>56,063</u>
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets	(237,342)		(63,778)	(301,120)
Interest paid on long-term debt	(390,795)	(1,949)	(195,814)	(588,558)
Principal paid on long-term debt	(394,471)	(7,843)	(209,719)	(612,033)
Net cash provided (used) by capital and related financing activities	<u>(1,022,608)</u>	<u>(9,792)</u>	<u>(469,311)</u>	<u>(1,501,711)</u>
Cash Flows From Investing Activities:				
Interest on investments	<u>130,540</u>		<u>123,703</u>	<u>254,243</u>
Net cash provided by investing activities	<u>130,540</u>		<u>123,703</u>	<u>254,243</u>
Net increase (decrease) in cash and cash equivalents	146,029	(897)	237,653	382,785
Cash and cash equivalents - July 1, 2011	<u>2,154,926</u>	<u>20,397</u>	<u>737,132</u>	<u>2,912,455</u>
Cash and cash equivalents - June 30, 2012	<u>\$ 2,300,955</u>	<u>\$ 19,500</u>	<u>\$ 974,785</u>	<u>\$ 3,295,240</u>
Reconciliation to the Statement of Net Assets:				
Cash and investments	\$ 980,319	\$ 19,500	\$ 254,534	\$ 1,254,353
Restricted cash and investments	<u>1,320,636</u>		<u>720,251</u>	<u>2,040,887</u>
Cash and cash equivalents - June 30, 2012	<u>\$ 2,300,955</u>	<u>\$ 19,500</u>	<u>\$ 974,785</u>	<u>\$ 3,295,240</u>
Supplemental Cash Flow Information:				
Amortization	\$ 33,003	\$ -	\$ 1,450	\$ 34,453

(Continued)

See Accompanying Notes to Basic Financial Statements

GROVELAND COMMUNITY SERVICES DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2012
(Continued)

	Business-type Activities Enterprise Funds			Totals
	Water Fund	Davis-Grunsky Fund	Sewer Fund	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 158,012	\$ -	\$ (38,837)	\$ 119,175
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	723,323		504,351	1,227,674
(Increase) Decrease in operating assets:				
Accounts receivable	(15,142)		4,193	(10,949)
Prepaid items	3,432		3,432	6,864
Inventory	28,841			28,841
Increase (Decrease) in operating liabilities:				
Accounts payable	28,037		45,473	73,510
Deposits payable	2,535			2,535
Accrued payroll	2,013		3,507	5,520
Compensated absences	(1,561)		(5,402)	(6,963)
Post-employment benefits other than pensions	74,442		53,541	127,983
Net cash provided (used) by operating activities	<u>\$ 1,003,932</u>	<u>\$ -</u>	<u>\$ 570,258</u>	<u>\$ 1,574,190</u>

See Accompanying Notes to Basic Financial Statements

GROVELAND COMMUNITY SERVICES DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2012

	<u>Agency Fund</u>
ASSETS	
Restricted cash and investments	<u>\$ 43,972</u>
Total Assets	<u><u>\$ 43,972</u></u>
LIABILITIES	
Deposits	<u>\$ 43,972</u>
Total Liabilities	<u><u>\$ 43,972</u></u>

See Accompanying Notes to Basic Financial Statements

GROVELAND COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

Note 1: Summary of Significant Accounting Policies

The 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* (AICPA) (U.S. GAAP). The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

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

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit within the reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement no. 39. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity is conducted within the geographic boundaries of the District and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, the special assessment districts described in Note 4 have been excluded from the reporting entity.

B. Basis of Presentation

Government-wide Statements: The Statement of Net Assets and the Statement of Activities include the financial activities of the overall District government. Eliminations have been made to minimize the double counting of internal activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements: The Fund Financial Statements provide information about the District's funds. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column. The Fiduciary Funds are 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. Fiduciary funds are not included in the government-wide financial statements.

GROVELAND COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

Note 1: Summary of Significant Accounting Policies (Continued)

C. Major Funds

GASB Statement No. 34 defines major funds and requires that the District's major governmental and proprietary type funds be identified and presented separately in the fund financial statements. Major funds are defined as funds that have either assets, liabilities, revenues, or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total of all fund types excluding fiduciary. The District reported the following major funds in the accompanying financial statements:

Fire Protection Fund

The Fire Protection Fund is used to account for all activity associated with fire protection services in the Groveland area.

Parks and Recreation Fund

The Parks and Recreation Fund is used to account for all activity associated with recreation services in the Groveland area.

Water Fund

The Water Fund is used to account for all activity associated with water services in the Groveland area.

Davis-Grunsky Fund

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

Sewer Fund

The Sewer Fund is used to account for all activity associated with wastewater services in the Groveland area.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the *Governmental Accounting Standards Board*. Districts also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

D. Basis of Accounting

The Government-wide Financial Statements are reported using the *economic resources* measurement focus and the full accrual basis of accounting, as are the proprietary funds financial statements. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources* measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when *measurable and available*. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, other postemployment benefit costs, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Fiduciary funds use the accrual basis of accounting but have no measurement focus as they only report assets and liabilities.

GROVELAND COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

Note 1: Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting (Continued)

Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include grants, entitlements, and donations. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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 Proprietary funds' principal ongoing operations. The principal operating revenues of the Proprietary funds are charges to customers for sales and services. Operating expenses for the Proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. The District's policy is to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

E. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. 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

G. Net Assets and Fund Balances

Government-wide Financial Statements:

Invested in Capital Assets, Net of Related Debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that contributed to the acquisition, construction, or improvement of the capital assets.

Restricted Net Assets – This amount represents net assets restricted by parties outside of the District (such as creditors, grantors, contributors, laws, and regulations of other governments) and includes unspent proceeds of bonds issued to acquire or construct capital assets.

Unrestricted Net Assets – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets” and available for use for general operations of the District.

GROVELAND COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

Note 1: Summary of Significant Accounting Policies (Continued)

G. Net Assets and Fund Balances (Continued)

Fund Financial Statements:

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (District ordinances).

Enabling legislation authorizes the District to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the District can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of District Board. Those committed amounts cannot be used for any other purpose unless District Board removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by District Board, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned fund balance represents the remaining amount that is not restricted or 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.

**GROVELAND COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012**

Note 1: Summary of Significant Accounting Policies (Continued)

G. Net Assets and Fund Balances (Continued)

Fund Financial Statements: (continued)

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.

H. 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 480 hours for safety employees and 320 hours for miscellaneous employees and is paid in full upon termination or retirement. There are no restrictions on the amount of sick leave an employee can accumulate, but unused sick leave is compensable at one half the total sick time accrued upon termination or retirement.

I. Restricted Assets

Certain resources set aside for debt service payments are classified as restricted assets on the statement of net assets because their use is limited by applicable covenants.

J. Property Taxes

The District receives property taxes from the County of Tuolumne, 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.

K. Budgets and Budgetary Accounting

By State Law, the District's Governing Board must approve a tentative budget no later than June 30 and adopt a final budget no later than August 31. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements. Budgets are adopted on a basis consistent with the financial statements presented. Annual appropriated budgets are adopted for the special revenue funds. All unused appropriations lapse at fiscal year-end.

These budgets are revised by the District's Governing Board during the fiscal year to give consideration to unanticipated income and expenditures. It is this final budget that is presented in the financial statements.

**GROVELAND COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012**

Note 1: Summary of Significant Accounting Policies (Continued)

L. New Accounting Pronouncements

The District implemented the requirements of GASB Statement No. 64 during the fiscal year ended June 30, 2012.

GASB Statement No. 64 – Derivative Instruments: Application of Hedge Accounting Termination Provisions

This Statement is effective for periods beginning after June 15, 2011. The objective of this statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. Implementation of this statement did not have an impact on the District's financial statements for the fiscal year ended June 30, 2012.

Note 2: Cash and Investments

The District maintains a separate cash account for each fund. Investments are pooled in the Local Agency Investment Fund (LAIF) and each fund maintains accountability of its portion of the investment. Each fund's portion of the cash and investments are displayed on the fund financial statements.

The District's cash and investments are comprised of the following at June 30, 2012:

	Unrestricted	Restricted	Totals
Cash on hand	\$ 500	\$ -	\$ 500
Cash in bank	2,017,205	1,660,122	3,677,327
Investments held by fiscal agent		375,752	375,752
Cash and investments in County Treasury		48,985	48,985
Investment in Local Agency Investment Fund (LAIF)	<u>227,575</u>		<u>227,575</u>
Total Cash and Investments	<u>\$ 2,245,280</u>	<u>\$ 2,084,859</u>	<u>\$ 4,330,139</u>
Statement of Net Assets:			
Cash and investments	\$ 2,245,280		
Restricted cash and investments		2,040,887	
Statement of Fiduciary Assets and Liabilities:			
Restricted cash and investments		<u>43,972</u>	
Total	<u>\$ 4,330,139</u>		

**GROVELAND COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012**

Note 2: Cash and Investments (Continued)

The restricted portion of cash and investments held in government securities and government money market funds represents that portion set aside for the debt service payments of Revenue Bonds. The restricted portion held in the county treasury represents that portion set aside for the debt service payments of Special Assessment Bonds.

A. 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
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

B. 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

**GROVELAND COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012**

Note 2: Cash and Investments (Continued)

C. 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

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

Investment Type	Totals	Remaining maturity (in Months)					
		12 Months or Less	13 to 24 Months	25-36 Months	37-48 Months	49-60 Months	More Than 60 Months
County Treasury	\$ 48,985	\$ 48,985	\$ -	\$ -	\$ -	\$ -	\$ -
Local Agency Investment Fund	227,575	227,575					
Held by bond trustees:							
Money Market Funds	375,752	375,752					
	<u>\$ 652,312</u>	<u>\$ 652,312</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

D. Investment with Fair Values Highly Sensitive to Interest Rate Fluctuations

The District has no investments (including investments held by bond trustees) that are highly sensitive to interest rate fluctuations.

E. Disclosures Relating to Credit Risk

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

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
County Treasury	\$ 48,985	N/A	\$ -	\$ -	\$ -	\$ -	\$ 48,985
State Investment Pool	227,575	N/A					227,575
Held by bond trustees:							
Money Market Funds	375,752	N/A		375,752			
Total	<u>\$ 652,312</u>		<u>\$ -</u>	<u>\$ 375,752</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 276,560</u>

GROVELAND COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

Note 2: Cash and Investments (Continued)

F. Concentration of Credit Risk

The investment policy of the District contains limitations on the amount that can be invested in any one issuer. There are no investments (other than U.S. Treasury securities, mutual funds, and external investment pools) in any one issuer that represent 5% or more of total District investments.

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

As of June 30, 2012, \$3,321,684 of the District's deposits with financial institutions in excess of federal depository insurance limits were held in accounts that were collateralized as provided for under the California Government Code.

H. Investment in State Investment Pool

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

**GROVELAND COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012**

Note 3: Capital Assets

A summary of changes in the District's capital assets is as follows:

Governmental Activities:

	Balance at July 1, 2011	Additions	Deletions	Transfers	Prior Period Adjustments	Balance at June 30, 2012
Capital assets not being depreciated:						
Land	\$ 93,518	\$ -	\$ -	\$ (45,474)	\$ -	\$ 48,044
Capital assets being depreciated:						
Structures and improvements	1,259,277	12,804		45,474		1,317,555
Equipment	444,321	18,303				462,624
Vehicles	797,884					797,884
Total capital assets	2,595,000	31,107				2,626,107
Accumulated depreciation	(1,449,079)	(130,656)				(1,579,735)
Net Capital Assets	<u>\$ 1,145,921</u>	<u>\$ (99,549)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,046,372</u>

Depreciation expense was charged to functions/programs of the District's governmental activities as follows:

Public safety	\$ 103,524
Parks and recreation	27,132
Total	<u>\$ 130,656</u>

Business-type Activities:

Water

	Balance at July 1, 2011	Additions	Deletions	Transfers	Prior Period Adjustments	Balance at June 30, 2012
Capital assets not being depreciated:						
Land	\$ 14,815	\$ -	\$ -	\$ -	\$ -	\$ 14,815
Construction in progress	12,514	92,181			23,000	127,695
Capital assets being depreciated:						
Structures and improvements	16,576,232	10,527				16,586,759
Equipment	691,457	134,634				826,091
Vehicles	217,671					217,671
Total capital assets	17,512,689	237,342			23,000	17,773,031
Accumulated depreciation	(7,450,422)	(723,323)				(8,173,745)
Net Capital Assets	<u>\$ 10,062,267</u>	<u>\$ (485,981)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,000</u>	<u>\$ 9,599,286</u>

Sewer

	Balance at July 1, 2011	Additions	Deletions	Transfers	Prior Period Adjustments	Balance at June 30, 2012
Capital assets not being depreciated:						
Land	\$ 409,724	\$ -	\$ -	\$ (4,147)	\$ -	\$ 405,577
Construction in progress	12,177	30,763			29,000	71,940
Capital assets being depreciated:						
Structures and improvements	14,670,292	12,915	(5,052)	4,147		14,682,302
Equipment	1,231,511	20,100				1,251,611
Vehicles	557,342					557,342
Total capital assets	16,881,046	63,778	(5,052)		29,000	16,968,772
Accumulated depreciation	(9,080,503)	(504,351)	3,743			(9,581,111)
Net Capital Assets	<u>\$ 7,800,543</u>	<u>\$ (440,573)</u>	<u>\$ (1,309)</u>	<u>\$ -</u>	<u>\$ 29,000</u>	<u>\$ 7,387,661</u>
Total Business-type Activities Capital Assets	<u>\$ 17,862,810</u>	<u>\$ (926,554)</u>	<u>\$ (1,309)</u>	<u>\$ -</u>	<u>\$ 52,000</u>	<u>\$ 16,986,947</u>

**GROVELAND COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012**

Note 4: Long-Term Debt

The following is a summary of changes in Long-Term Debt for the fiscal year ended June 30, 2012:

<u>Governmental Activities:</u>	Balance at July 1, 2011	Additions	Retirements	Balance at June 30, 2012	Due within one year
Equipment lease/purchase agreement	\$ 10,487	\$ -	\$ (6,888)	\$ 3,599	\$ 3,599
Post-employment benefits other than pensions	142,480	115,318	(49,593)	208,205	
Compensated absences	105,438	78,502	(64,684)	119,256	53,665
Total	<u>\$ 258,405</u>	<u>\$ 193,820</u>	<u>\$ (121,165)</u>	<u>\$ 331,060</u>	<u>\$ 57,264</u>

Annual debt service requirements for the governmental activities are as follows:

Fiscal Year Ending June 30,	Equipment Lease		
	Principal	Interest	Totals
2013	\$ 3,599	\$ 81	\$ 3,680
Total	<u>\$ 3,599</u>	<u>\$ 81</u>	<u>\$ 3,680</u>

<u>Business-type Activities:</u>	Balance at July 1, 2011	Additions	Retirements	Balance at June 30, 2012	Due within one year
Revenue bonds payable	\$ 3,520,000	\$ -	\$ (175,000)	\$ 3,345,000	\$ 175,000
State loans	69,249		(7,843)	61,406	8,073
Special assessment bonds	62,000		(8,000)	54,000	5,000
Installment sale agreement	8,503,643		(348,641)	8,155,002	365,492
Ford truck loan	18,028		(7,361)	10,667	7,848
Equipment capital lease agreement	99,281		(65,188)	34,093	34,093
Post-employment benefits other than pensions	277,442	224,553	(96,570)	405,425	
Compensated absences	72,073	92,083	(99,046)	65,110	29,300
Premium on installment sale agreement	89,861		(5,662)	84,199	5,660
Deferred gain on refunding	141,608		(9,439)	132,169	9,441
Total	<u>\$ 12,853,185</u>	<u>\$ 316,636</u>	<u>\$ (822,750)</u>	<u>\$ 12,347,071</u>	<u>\$ 639,907</u>

Original Issue	Balance July 1, 2011	Additions	Maturities	Balance June 30, 2012
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Revenue Bonds

1998 Capital Facilities Revenue Bonds, interest paid semi-annually with rates varying between 3.85% and 4.75%, principal payable annually on April 1. To be paid from revenue generated by the Revenue Improvement District #1, and Groveland-Big Oak Flat Water Assessment District. The bonds mature on July 1, 2026.

\$ 4,650,000	<u>\$ 3,520,000</u>	<u>\$ -</u>	<u>\$ 175,000</u>	<u>\$ 3,345,000</u>
Total Revenue Bonds	<u>3,520,000</u>	<u>_____</u>	<u>175,000</u>	<u>3,345,000</u>

**GROVELAND COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012**

Note 4: Long-Term Debt (Continued)

	Original Issue	Balance July 1, 2011	Additions	Maturities	Balance June 30, 2012
State Loans					
Davis-Grunsky Act Loan, interest at 2.5%, payable semiannually, principal payable annually on December 1. To be paid from cash on hand and assessments to be collected. The loan matures on December 1, 2021.	\$ 102,000	\$ 38,107	\$ -	\$ 3,053	\$ 35,054
Davis-Grunsky Act Loan, interest at 3.2%, payable semiannually, principal payable annually on December 1. To be paid from cash on hand and assessments to be collected. The loan matures on December 1, 2017.	137,003	<u>31,142</u>	<u> </u>	<u>4,790</u>	<u>26,352</u>
Total State Loans		<u>69,249</u>	<u> </u>	<u>7,843</u>	<u>61,406</u>
Special Assessment Bonds					
Municipal Improvement Act of 1915 Bonds which are the obligation of property owners that the District has the duty to maintain upon default or delinquency. To be paid from cash on hand and assessments to be collected. The bonds mature on July 1, 2016.					
SAD #77-1	190,826	<u>62,000</u>	<u> </u>	<u>8,000</u>	<u>54,000</u>
Installment Sale Agreement					
On May 18, 2007, the District entered into an installment sale agreement with LaSalle Bank National Association in order to provide funds for the financing of certain public water facilities constituting part of the District's water enterprise. Payments are due semiannually on July 10 and January 10, at an interest rate of 4.71%. The installment sale agreement will mature on July 10, 2027.	5,031,500	<u>4,483,156</u>	<u> </u>	<u>184,852</u>	<u>4,298,304</u>

**GROVELAND COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012**

Note 4: Long-Term Debt (Continued)

	Original Issue	Balance July 1, 2011	Additions	Maturities	Balance June 30, 2012
Installment Sale Agreement (Continued)					
On June 29, 2007, the District entered into an installment sale agreement with LaSalle Bank National Association in order to provide funds to finance additional improvements to the Wastewater System within the service area of the District. Payments are due semiannually on July 10 and January 10, at an interest rate of 4.85%. The installment sale agreement will mature on July 10, 2027.	\$ 4,529,000	\$ 4,020,487	\$ -	\$ 163,789	\$ 3,856,698
Total Installment Sale Agreements		8,503,643		348,641	8,155,002
Ford F350 Truck Loan					
On September 15, 2008, the District entered into a promissory note agreement with Pacific State Bank for the purchase of new Ford F350 Truck. The promissory note was in the amount of \$35,585, with 60 monthly payments at an interest rate of 6.00%. The loan matures on September 15, 2013.	35,585	18,028		7,361	10,667
Equipment Lease/Purchase Agreement					
On July 19, 2007, the District entered into an equipment lease/purchase agreement with LaSalle Bank National Association for the purchase of various equipment. Payments are due semiannually on January 19 and July 19, at an interest rate of 4.44%. The lease/purchase agreement matures on July 19, 2012.	305,984	99,281		65,188	34,093
Total Long-Term Debt		\$ 12,272,201	\$ -	\$ 612,033	\$ 11,660,168

**GROVELAND COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012**

Note 4: Long-Term Debt (Continued)

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

Fiscal Year Ending June 30,	Principal	Interest	Totals
2013	\$ 595,506	\$ 558,126	\$ 1,153,632
2014	588,283	526,995	1,115,278
2015	614,224	501,597	1,115,821
2016	649,888	471,732	1,121,620
2017	676,498	440,265	1,116,763
2018-2022	3,777,201	1,683,890	5,461,091
2023-2027	4,391,983	674,912	5,066,895
2028	366,585	8,755	375,340
Total	<u>\$ 11,660,168</u>	<u>\$ 4,866,272</u>	<u>\$ 16,526,440</u>

The Groveland Community Services District's Board and management are responsible for the administration of the Improvement Districts (Sewer Assessment District Nos. 3 and 4) formed under the Municipal Improvement Act of 1911. The District is not obligated to repay the special assessment debt of these special assessment districts. Tuolumne County functions as an agent for the property owners by collecting assessments and forwarding collections to the special-assessment debt-holders. The special assessment debt at June 30, 2012, is as follows:

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

Note 5: Defined Benefit Pension Plan

A. Plan Description

The District's defined benefit pension plan with the California Public Employees' Retirement System provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. The California Public Employees' Retirement System is part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the state of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees' Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local resolutions. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office - 400 P Street - Sacramento, CA 95814.

**GROVELAND COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012**

Note 5: Defined Benefit Pension Plan (Continued)

B. Funding Policy

The District pays required member contributions of 8% for miscellaneous plan and 9% for fire safety plan of annual covered salary for active members. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rates for fiscal 2011/2012 were 12.774% for miscellaneous plan and 20.084% for fire safety plan. The contribution requirements of the plan members are established by state statute and the employer contribution rate is established and may be amended by CalPERS. The District's contributions to CalPERS for the fiscal years ending June 30, 2012, 2011, and 2010, were \$120,821, \$94,302, and \$107,185, respectively for the miscellaneous plan and \$77,674, \$55,281, and \$52,054, respectively for the fire safety plan, and equal 100% of the required contributions for each fiscal year.

Note 6: Deferred Charges and Premiums

Bond issuance cost, bond discounts, and premiums on debt are capitalized and amortized over the terms of the respective debt using the life of the underlying debt in the proprietary funds. The annual amortization expense is \$49,554.

Note 7: Deferred Gain

In fiscal year 1998, the District issued refunding revenue bonds with a par value of \$4,650,000, to advance refund the 1996 certificates of participation. The refunding bonds carry an average interest rate of 4.52%, which was an interest savings of \$483,065 over the following 28 years. The present value of these savings was \$264,340 which is being amortized over the remaining life of the refunded bonds of 28 years. At June 30, 2012, the remaining balance of the deferred gain was \$132,169.

Note 8: Contingencies and Contingencies

On October 21, 2011 the District received a Notice of Proposed Enforcement Action by the California State Water Resources Control Board alleging violations of water quality and reporting laws as a result of two sewer spills occurring in August 2010 and March 2011, and seeking a proposed penalty in the amount of \$1,109,106. It is anticipated that a settlement will be reached for a lower penalty amount. The District has accrued \$187,500 (\$46,875 as current and \$140,625 as long-term) as a probable settlement payable liability on the statement of net assets.

Note 9: 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, 2012:

Total Assets	\$102,675,963	Total Revenues	\$ 46,647,444
Total Liabilities	<u>43,880,783</u>	Total Expenses	<u>38,734,846</u>
Total Net Assets	<u>\$ 58,795,180</u>	Change in Net Assets	<u>\$ 7,912,598</u>

**GROVELAND COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012**

Note 10: Post-Employment Benefits Other Than Pensions

Plan Description

The District provides certain health insurance benefits to retired employees in accordance with the employee handbook as follows:

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

Funding Policy

The District's policy is to contribute an amount sufficient to pay the current year's premium. For fiscal year 2011-12, the District contributed \$146,163, which covered current premiums, but did not include any additional prefunding of benefits. Currently, there are 9 retirees who are receiving benefits.

Annual OPEB and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), and an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation.

Annual required contribution	\$	318,875
Interest on net OPEB obligation		20,996
Annual OPEB cost (expense)		339,871
Contributions made		(146,163)
Increase in net OPEB obligation		193,708
Net OPEB obligation - beginning of fiscal year		419,922
Net OPEB obligation - end of fiscal year	\$	613,630

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years ending June 30, 2012, 2011, and 2010 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contribution	OPEB Obligation (Asset)
6/30/2010	\$ 318,875	26%	\$ 236,634
6/30/2011	330,707	45%	419,922
6/30/2012	339,871	43%	613,630

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$2,202,513, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,202,513. The covered payroll (annual payroll of active employees covered by the plan) was \$1,513,426, and the ratio of the UAAL to the covered payroll was 145.5 percent.

Actuarial valuations of an on-going plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future.

**GROVELAND COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012**

Note 10: Post-Employment Benefits Other Than Pensions (Continued)

Funded Status and Funding Progress (continued)

Examples include assumptions about future employment, mortality, and the healthcare cost trend. 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, presented as required supplementary information following the notes to the basic 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.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the 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 actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2009 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 5 percent investment rate of return, which is the expected long-term investment returns on plan assets and annual healthcare cost trend rates of 4 to 8 percent. The actuarial value of assets is not applicable (no assets as of the initial valuation date). The UAAL is being amortized as a flat percentage of covered payroll over thirty years. The remaining amortization period at July 1, 2009 was thirty years.

Note 11: Expenditures in Excess of Appropriations

The following funds had departmental expenditures in excess of budget. Sufficient revenues were available to fund these expenditures:

Governmental Fund:	Excess Expenditures
Parks and Recreation Fund:	
Culture-recreation	\$ 23,041

Note 12: Prior Period Adjustments

A prior period adjustment of \$23,000 was made in the Water Fund for an understatement of capital assets in the prior fiscal year. A prior period adjustment of \$29,000 was made in the Sewer Fund for an understatement of capital assets in the prior fiscal year.

Note 13: Subsequent Events

On August 2, 2012, the Board of Directors voted to refinance the 1998 Installment Sale Agreement executed to finance the acquisition, construction, and improvement of water storage and treatment facilities. The new loan will be for \$3,117,831 with a projected lower interest rate than the original 1998 Installment Sale Agreement.

On August 21, 2012 the Board of Directors authorized the General Manager of the District to open negotiations with the Tuolumne County Board of Supervisors and their County Administrator to propose an addendum to their current contract with Cal Fire to provide fire protection and emergency medical services for the District.

In preparing the accompanying financial statement, the District management has reviewed all known events that have occurred after June 30, 2012, and through March 20, 2013, the date when this financial statement was available to be issued, for inclusion in the financial statement and footnotes.

REQUIRED SUPPLEMENTARY INFORMATION

**GROVELAND COMMUNITY SERVICES DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 June 30, 2012**

POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Projected Unit Credit Cost Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Payroll
7/1/2009	\$ 2,202,513	\$ -	\$ 2,202,513	0%	\$ 1,513,426	145.5%

GROVELAND COMMUNITY SERVICES DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FIRE PROTECTION FUND
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and assessments	\$ 1,189,567	\$ 1,189,567	\$ 1,201,039	\$ 11,472
Other revenues	30,800	30,800	27,528	(3,272)
Total Revenues	<u>1,220,367</u>	<u>1,220,367</u>	<u>1,228,567</u>	<u>8,200</u>
EXPENDITURES				
Current:				
Public safety	1,196,987	1,196,987	1,177,700	19,287
Capital outlay	43,600	43,600	25,552	18,048
Debt service:				
Principal	20,702	20,702	6,888	13,814
Interest	4,099	4,099	394	3,705
Total Expenditures	<u>1,265,388</u>	<u>1,265,388</u>	<u>1,210,534</u>	<u>54,854</u>
Net Change in Fund Balance	(45,021)	(45,021)	18,033	63,054
Fund Balance, Beginning of Fiscal Year	<u>792,270</u>	<u>792,270</u>	<u>792,270</u>	
Fund Balance, End of Fiscal Year	<u>\$ 747,249</u>	<u>\$ 747,249</u>	<u>\$ 810,303</u>	<u>\$ 63,054</u>

GROVELAND COMMUNITY SERVICES DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
PARKS AND RECREATION FUND
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and assessments	\$ 70,938	\$ 70,938	\$ 68,116	\$ (2,822)
Use of money and property	1,500	1,500	2,070	570
Charges for services	2,300	2,300	1,845	(455)
Other revenues			11,337	11,337
Total Revenues	74,738	74,738	83,368	8,630
EXPENDITURES				
Current:				
Culture-recreation	73,377	73,377	96,418	(23,041)
Capital outlay	8,000	8,000	5,555	2,445
Total Expenditures	81,377	81,377	101,973	(20,596)
Net Change in Fund Balance	(6,639)	(6,639)	(18,605)	(11,966)
Fund Balance, Beginning of Fiscal Year	180,704	180,704	180,704	
Fund Balance, End of Fiscal Year	<u>\$ 174,065</u>	<u>\$ 174,065</u>	<u>\$ 162,099</u>	<u>\$ (11,966)</u>