

**GROVELAND  
COMMUNITY SERVICES DISTRICT  
BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009**

GROVELAND COMMUNITY SERVICES DISTRICT

TABLE OF CONTENTS

FINANCIAL SECTION

Independent Auditor's Report .....1

**Basic Financial Statements:**

Government-wide Financial Statements:

Statement of Net Assets .....3

Statement of Activities .....4

Fund Financial Statements:

Governmental Funds:

Balance Sheet- Governmental Funds .....6

Reconciliation of the Governmental Funds Balance Sheet  
to the Government-wide Statement of Net Assets .....7

Statement of Revenues, Expenditures, and Changes in Fund  
Balances- Governmental Funds .....8

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,  
and Changes in Fund Balances to the Government-wide Statement of Activities .....9

Proprietary Funds:

Statement of Net Assets .....10

Statement of Revenues, Expenses, and Changes in Fund Net Assets .....12

Statement of Cash Flows .....13

Fiduciary Fund:

Statement of Fiduciary Net Assets .....15

Notes to the Basic Financial Statements .....16

**Required Supplementary Information:**

Schedule of Revenues, Expenditures, and Changes in Fund  
Balance- Budget and Actual- Fire Protection Fund .....33

Schedule of Revenues, Expenditures, and Changes in Fund  
Balance- Budget and Actual- Parks and Recreation Fund .....34

Independent Auditor's Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards* .....35



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

**PARTNERS**

RONALD A LEVY, CPA  
CRAIG A HARTZHEIM, CPA  
HADLEY Y HUI, CPA

9107 WILSHIRE BLVD., SUITE 400  
BEVERLY HILLS, CA 90210  
TEL: 310.273.2745  
FAX: 310.273.1689  
www.mhcpas.com

**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 (District), California, as of and for the fiscal year ended June 30, 2009, 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, 2009, 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, 2008, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*; GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*; GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; and GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 19, 2010, 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.

The District has not presented a management's discussion and analysis (MD&A) that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of the basic financial statements. The respective budgetary comparisons for Fire Protection Fund on page 33 and Parks and Recreation Fund on page 34 are not required parts of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

*Moss, Levy & Hartzheim*

Moss, Levy & Hartzheim, LLP  
Beverly Hills, California  
March 19, 2010

## **BASIC FINANCIAL STATEMENTS**



**GROVELAND COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF NET ASSETS**  
**June 30, 2009**

	Governmental Activities	Business-type Activities	Totals
<b>ASSETS</b>			
Current Assets:			
Cash and investments	\$ 831,143	\$ 1,988,274	\$ 2,819,417
Restricted cash and investments		1,654,630	1,654,630
Interest receivable		86,997	86,997
Accounts receivable	2,157	557,976	560,133
Internal balances	(106,677)	106,677	
Inventory	6,855	72,764	79,619
Total Current Assets	<u>733,478</u>	<u>4,467,318</u>	<u>5,200,796</u>
Non-current Assets:			
Assessments receivable		58,579	58,579
Deferred charges, net of accumulated amortization		850,215	850,215
Capital assets:			
Not being depreciated	95,789	4,422,280	4,518,069
Being depreciated, net of accumulated depreciation	1,129,239	14,768,274	15,897,513
Total Non-current Assets	<u>1,225,028</u>	<u>20,099,348</u>	<u>21,324,376</u>
Total Assets	<u>1,958,506</u>	<u>24,566,666</u>	<u>26,525,172</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable and accrued liabilities	58,601	143,386	201,987
Interest payable	437	258,384	258,821
Deposits payable	500	30,375	30,875
Current portion of long-term liabilities	6,303	592,059	598,362
Total Current Liabilities	<u>65,841</u>	<u>1,024,204</u>	<u>1,090,045</u>
Non-current Liabilities			
Compensated absences	98,591	105,005	203,596
Deferred gain on refunding		160,490	160,490
Premium, net of accumulated amortization		101,181	101,181
Long-term liabilities, net of current portion	17,080	12,855,146	12,872,226
Total Non-current Liabilities	<u>115,671</u>	<u>13,221,822</u>	<u>13,337,493</u>
Total Liabilities	<u>181,512</u>	<u>14,246,026</u>	<u>14,427,538</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,201,645	6,416,165	7,617,810
Restricted for debt service		1,396,246	1,396,246
Unrestricted	575,349	2,508,229	3,083,578
Total Net Assets	<u>\$ 1,776,994</u>	<u>\$ 10,320,640</u>	<u>\$ 12,097,634</u>

See Accompanying Notes to Basic Financial Statements

**GROVELAND COMMUNITY SERVICES DISTRICT  
STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2009**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Public safety	\$ 1,202,357	\$ -	\$ -	\$ -
Parks and recreation	154,664	1,755		
Interest on long-term debt	1,104			
Total Governmental Activities	<u>1,358,125</u>	<u>1,755</u>		
<b>Business-type Activities:</b>				
Water	2,906,866	2,584,877		
Davis-Grunsky	1,342			
Sewer	1,993,956	1,831,684		
Total Business-type Activities	<u>4,902,164</u>	<u>4,416,561</u>		
Total Primary Government	<u>\$ 6,260,289</u>	<u>\$ 4,418,316</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

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
\$ (1,202,357)	\$ -	\$ (1,202,357)
(152,909)		(152,909)
(1,104)		(1,104)
<u>(1,356,370)</u>		<u>(1,356,370)</u>
	(321,989)	(321,989)
	(1,342)	(1,342)
	<u>(162,272)</u>	<u>(162,272)</u>
	<u>(485,603)</u>	<u>(485,603)</u>
<u>(1,356,370)</u>	<u>(485,603)</u>	<u>(1,841,973)</u>
1,388,914	51,405	1,440,319
6,609	93,140	99,749
<u>55,532</u>	<u>29,193</u>	<u>84,725</u>
<u>1,451,055</u>	<u>173,738</u>	<u>1,624,793</u>
94,685	(311,865)	(217,180)
<u>1,682,309</u>	<u>10,632,505</u>	<u>12,314,814</u>
<u>\$ 1,776,994</u>	<u>\$ 10,320,640</u>	<u>\$ 12,097,634</u>

**GROVELAND COMMUNITY SERVICES DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2009**

	<u>Fire Protection</u>	<u>Parks and Recreation</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Assets:			
Cash and investments	\$ 655,659	\$ 175,484	\$ 831,143
Accounts receivable	2,157		2,157
Inventory	<u>6,855</u>		<u>6,855</u>
Total Assets	<u>\$ 664,671</u>	<u>\$ 175,484</u>	<u>\$ 840,155</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 20,670	\$ 6,306	\$ 26,976
Accrued payroll	27,913	3,712	31,625
Deposit payable		500	500
Due to other funds	<u>106,677</u>		<u>106,677</u>
Total Liabilities	<u>155,260</u>	<u>10,518</u>	<u>165,778</u>
Fund balances:			
Reserved for inventory	6,855		6,855
Unreserved:			
Undesignated	<u>502,556</u>	<u>164,966</u>	<u>667,522</u>
Total Fund Balances	<u>509,411</u>	<u>164,966</u>	<u>674,377</u>
Total Liabilities and Fund Balances	<u>\$ 664,671</u>	<u>\$ 175,484</u>	<u>\$ 840,155</u>

**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, 2009**

Fund balances for governmental funds	\$	674,377
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>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.</p>		1,225,028
<p>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 government-wide statement of activities, it is recognized in the period that it is incurred.</p>		(437)
<p>Long-term debt liabilities are not due and payable in the current period and therefore, are not reported in the funds.</p>		
Equipment lease/purchase agreement	\$ (23,383)	
Compensated absences	(98,591)	(121,974)
Net assets of governmental activities	\$	1,776,994

**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, 2009**

	Fire Protection	Parks and Recreation	Total Governmental Funds
<b>REVENUES</b>			
Taxes and assessments	\$ 1,267,068	\$ 121,846	\$ 1,388,914
Use of money and property	4,971	1,638	6,609
Charges for services		1,755	1,755
Other revenues	54,468	1,064	55,532
	<u>1,326,507</u>	<u>126,303</u>	<u>1,452,810</u>
<b>EXPENDITURES</b>			
Current:			
Public safety	1,119,310		1,119,310
Culture-recreation		110,117	110,117
Capital outlay	402,029	6,029	408,058
Debt service:			
Principal	6,030		6,030
Interest	1,251		1,251
	<u>1,528,620</u>	<u>116,146</u>	<u>1,644,766</u>
Net Change in Fund Balances	(202,113)	10,157	(191,956)
Fund Balances, Beginning of Fiscal Year	<u>711,524</u>	<u>154,809</u>	<u>866,333</u>
Fund Balances, End of Fiscal Year	<u>\$ 509,411</u>	<u>\$ 164,966</u>	<u>\$ 674,377</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, 2009**

Net change in fund balances - total governmental funds \$ (191,956)

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	\$	408,058	
Depreciation expense		(136,743)	271,315

In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is: (5,525)

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	6,030
-----------------------------	-------

Accrued interest is interest due on long-term debt payable. This is the net change in accrued interest during the current period. 147

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. 14,674

Change in net assets of governmental activities	\$	94,685
---	----	--------

**See Accompanying Notes to Basic Financial Statements**

**GROVELAND COMMUNITY SERVICES DISTRICT  
 PROPRIETARY FUNDS  
 STATEMENT OF NET ASSETS  
 June 30, 2009**

	Business-type Activities Enterprise Funds			Totals
	Water Fund	Davis-Grunsky Fund	Sewer Fund	
<b>ASSETS</b>				
Current Assets:				
Cash and investments	\$ 1,577,979	\$ 122,179	\$ 288,116	\$ 1,988,274
Accounts receivable - net	274,576		283,400	557,976
Interest receivable	45,537		41,460	86,997
Inventory	58,715		14,049	72,764
Due from other funds	106,677			106,677
Restricted cash and investments	389,499		1,265,131	1,654,630
<b>Total current assets</b>	<b>2,452,983</b>	<b>122,179</b>	<b>1,892,156</b>	<b>4,467,318</b>
Noncurrent Assets:				
Assessments receivable		58,579		58,579
Deferred charges - net of accumulated amortization	824,115		26,100	850,215
<b>Total non-current assets</b>	<b>824,115</b>	<b>58,579</b>	<b>26,100</b>	<b>908,794</b>
Capital Assets:				
Land	14,815		410,872	425,687
Construction in progress	3,183,668		812,925	3,996,593
Structures and improvements	13,544,726		13,104,748	26,649,474
Equipment	977,648		1,112,307	2,089,955
Vehicles	228,543		654,479	883,022
<b>Total capital assets</b>	<b>17,949,400</b>		<b>16,095,331</b>	<b>34,044,731</b>
Less accumulated depreciation	(6,485,053)		(8,369,124)	(14,854,177)
<b>Total capital assets - net of accumulated depreciation</b>	<b>11,464,347</b>		<b>7,726,207</b>	<b>19,190,554</b>
<b>Total assets</b>	<b>14,741,445</b>	<b>180,758</b>	<b>9,644,463</b>	<b>24,566,666</b>

(Continued)

See Accompanying Notes to Basic Financial Statements

**GROVELAND COMMUNITY SERVICES DISTRICT  
 PROPRIETARY FUNDS  
 STATEMENT OF NET ASSETS  
 June 30, 2009  
 (Continued)**

	Business-type Activities Enterprise Funds			Totals
	Water Fund	Davis-Grunsky Fund	Sewer Fund	
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	\$ 77,993	\$ -	\$ 18,321	\$ 96,314
Accrued payroll	24,672		22,400	47,072
Interest payable	156,324		102,060	258,384
Deposits	21,025		9,350	30,375
Long-term debt - current	362,788	7,403	221,868	592,059
Total current liabilities	<u>642,802</u>	<u>7,403</u>	<u>373,999</u>	<u>1,024,204</u>
Long-term Liabilities:				
Compensated absences	61,030		43,975	105,005
Deferred gain on refunding	160,490			160,490
Premium - net of accumulated amortization	101,181			101,181
Long-term debt - noncurrent	8,483,862	76,869	4,294,415	12,855,146
Total long-term liabilities	<u>8,806,563</u>	<u>76,869</u>	<u>4,338,390</u>	<u>13,221,822</u>
Total liabilities	<u>9,449,365</u>	<u>84,272</u>	<u>4,712,389</u>	<u>14,246,026</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	3,180,141		3,236,024	6,416,165
Restricted for debt service	233,175		1,163,071	1,396,246
Unrestricted	1,878,764	96,486	532,979	2,508,229
Total net assets	<u>\$ 5,292,080</u>	<u>\$ 96,486</u>	<u>\$ 4,932,074</u>	<u>\$ 10,320,640</u>

See Accompanying Notes to Basic Financial Statements

**GROVELAND COMMUNITY SERVICES DISTRICT  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
 For the Fiscal Year Ended June 30, 2009**

	Business-type Activities			Totals
	Enterprise Funds			
	Water Fund	Davis-Grunsky Fund	Sewer Fund	
Operating Revenues:				
Charges for services	\$ 2,530,571	\$ -	\$ 1,810,309	\$ 4,340,880
Other	54,306		21,375	75,681
<b>Total operating revenues</b>	<b>2,584,877</b>		<b>1,831,684</b>	<b>4,416,561</b>
Operating Expenses:				
Salaries and wages	716,685		576,961	1,293,646
Payroll expenses	312,106		282,464	594,570
Professional services	72,278		67,168	139,446
Insurance	23,788		22,958	46,746
Janitorial	4,761		4,705	9,466
Supplies, equipment, and materials	177,932		68,731	246,663
Communications	17,816		12,498	30,314
Rents and leases	843		397	1,240
Utilities	217,257		96,509	313,766
Repairs and maintenance	134,303		43,892	178,195
Advertising, postage, and printing	19,804		9,177	28,981
Memberships, dues, and subscriptions	19,572		3,141	22,713
Employee development	26,417		19,834	46,251
Licenses and permits	25,199		16,453	41,652
Miscellaneous	10,226		4,693	14,919
Depreciation	644,780		537,327	1,182,107
<b>Total operating expenses</b>	<b>2,423,767</b>		<b>1,766,908</b>	<b>4,190,675</b>
<b>Operating income (loss)</b>	<b>161,110</b>		<b>64,776</b>	<b>225,886</b>
Non-Operating Revenues (Expenses):				
Taxes and assessments	51,405			51,405
Investment earnings	40,292		52,848	93,140
Interest expense	(450,095)	(1,342)	(225,598)	(677,035)
Amortization	(33,004)		(1,450)	(34,454)
Other income			29,193	29,193
<b>Total non-operating revenues (expenses)</b>	<b>(391,402)</b>	<b>(1,342)</b>	<b>(145,007)</b>	<b>(537,751)</b>
<b>Change in net assets</b>	<b>(230,292)</b>	<b>(1,342)</b>	<b>(80,231)</b>	<b>(311,865)</b>
Net assets at July 1, 2008	5,522,372	97,828	5,012,305	10,632,505
<b>Net assets at June 30, 2009</b>	<b>\$ 5,292,080</b>	<b>\$ 96,486</b>	<b>\$ 4,932,074</b>	<b>\$ 10,320,640</b>

**See Accompanying Notes to Basic Financial Statements**

**GROVELAND COMMUNITY SERVICES DISTRICT  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 For the Fiscal Year Ended June 30, 2009**

	Business-type Activities Enterprise Funds			Totals
	Water Fund	Davis-Grunsky Fund	Sewer Fund	
<b>Cash Flows from Operating Activities:</b>				
Receipts from customers	\$ 2,727,191	\$ 3,880	\$ 1,595,790	\$ 4,326,861
Payments to suppliers and users	(1,151,377)		(700,121)	(1,851,498)
Payments to employees	(708,066)		(579,682)	(1,287,748)
Net cash provided by operating activities	<u>867,748</u>	<u>3,880</u>	<u>315,987</u>	<u>1,187,615</u>
<b>Cash Flows from Non-Capital and Related Financing Activities:</b>				
Taxes and assessments	51,405	9,736		61,141
Other income			29,193	29,193
Net cash provided (used) by non-capital and related financing activities	<u>51,405</u>	<u>9,736</u>	<u>29,193</u>	<u>90,334</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Purchase of capital assets	(396,085)		(664,656)	(1,060,741)
Interest paid on long-term debt	(455,816)	(1,342)	(229,601)	(686,759)
Issuance of long-term debt	25,841		9,744	35,585
Principal paid on long-term debt	(569,260)	(7,193)	(218,017)	(794,470)
Net cash provided (used) by capital and related financing activities	<u>(1,395,320)</u>	<u>(8,535)</u>	<u>(1,102,530)</u>	<u>(2,506,385)</u>
<b>Cash Flows From Investing Activities:</b>				
Interest on investments	16,898		31,548	48,446
Net cash provided by investing activities	<u>16,898</u>		<u>31,548</u>	<u>48,446</u>
Net increase( decrease) in cash and cash equivalents	(459,269)	5,081	(725,802)	(1,179,990)
Cash and cash equivalents - July 1, 2008	<u>2,426,747</u>	<u>117,098</u>	<u>2,279,049</u>	<u>4,822,894</u>
Cash and cash equivalents - June 30, 2009	<u>\$ 1,967,478</u>	<u>\$ 122,179</u>	<u>\$ 1,553,247</u>	<u>\$ 3,642,904</u>
<b>Reconciliation to the Statement of Net Assets:</b>				
Cash and investments	\$ 1,577,979	\$ 122,179	\$ 288,116	\$ 1,988,274
Restricted cash and investments	389,499		1,265,131	1,654,630
Cash and cash equivalents - June 30, 2009	<u>\$ 1,967,478</u>	<u>\$ 122,179</u>	<u>\$ 1,553,247</u>	<u>\$ 3,642,904</u>

(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, 2009  
 (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)	\$ 161,110	\$ -	\$ 64,776	\$ 225,886
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	644,780		537,327	1,182,107
(Increase) Decrease in operating assets:				
Accounts receivable	6,949	15	4,914	11,878
Inventory	(5,490)			(5,490)
Due from other funds	144,330	3,865		148,195
Increase (Decrease) in operating liabilities:				
Accounts payable	(83,585)		(47,501)	(131,086)
Deposits payable	(5,100)		(40,109)	(45,209)
Accrued payroll	1,287		(2,232)	(945)
Due to other funds	(3,865)		(200,699)	(204,564)
Compensated absences	7,332		(489)	6,843
Net cash provided (used) by operating activities	<u>\$ 867,748</u>	<u>\$ 3,880</u>	<u>\$ 315,987</u>	<u>\$ 1,187,615</u>

**See Accompanying Notes to Basic Financial Statements**

**GROVELAND COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**June 30, 2009**

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

See Accompanying Notes to Basic Financial Statements

**GROVELAND COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2009**

**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 5 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, 2009**

**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 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. 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 and fiduciary 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, 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*.

**GROVELAND COMMUNITY SERVICES DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009**

**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, 2009**

**Note 1: Summary of Significant Accounting Policies (Continued)**

**G. Net Assets and Fund Balances (Continued)**

Fund Financial Statements:

Fund Equity – Reservations of fund balance of governmental funds are created to either satisfy legal covenants, including State laws, that require a portion of the fund equity be segregated or identify the portion of the fund equity not available for future expenditures.

**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 448 hours for safety employees and 360 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, 2009**

**Note 1: Summary of Significant Accounting Policies (Continued)**

**L. New Accounting Pronouncements**

The District implemented the requirements of GASB Statements No. 49, No. 52, No. 55, and No. 56 during the fiscal year ended June 30, 2009.

Governmental Accounting Standards Board Statement No. 49

For the fiscal year ended June 30, 2009, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations." The Statement is effective for periods beginning after December 15, 2007. The Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the document excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of net assets, such as landfill closure and postclosure care and nuclear power plant decommissioning.

Governmental Accounting Standards Board Statement No. 52

For the fiscal year ended June 30, 2009, the District implemented GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments". The Statement is effective for periods beginning after June 15, 2008. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value.

Governmental Accounting Standards Board Statement No. 55

For the fiscal year ended June 30, 2009, the District implemented GASB Statement No. 55, "The hierarchy of Generally Accepted Accounting Principles for State and Local Governments". The Statement is effective as of April 2, 2009. The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles.

Governmental Accounting Standards Board Statement No. 56

For the fiscal year ended June 30, 2009, the District implemented GASB Statement No. 56, "Codification of Accounting and Financing Reporting Guidance Contained in the AICPA Statements of Auditing Standards". The Statement is effective as of April 16, 2009. The objective of this Statement is to incorporate into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles – related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in accounting and financial reporting standards rather than in the auditing literature.

**GROVELAND COMMUNITY SERVICES DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009**

**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, 2009:

	Unrestricted	Restricted	Totals
Cash on hand	\$ 500	\$ -	\$ 500
Cash in bank	2,595,407		2,595,407
Cash in escrow		1,265,132	1,265,132
Investments held by fiscal agent		375,752	375,752
Cash and investments in County Treasury		57,718	57,718
Investment in State Treasurer's investment pool (LAIF)	223,510		223,510
Total Cash and Investments	\$ 2,819,417	\$ 1,698,602	\$ 4,518,019
Statement of Net Assets:			
Cash and investments	\$ 2,819,417		
Restricted cash and investments		1,654,630	
Statement of Fiduciary Net Assets:			
Restricted cash and investments		43,972	
Total		\$ 4,518,019	

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	40 Million

**GROVELAND COMMUNITY SERVICES DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009**

**Note 2: Cash and Investments (Continued)**

**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	\$40 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

**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:

<u>Investment Type</u>	<u>Totals</u>	<u>Remaining maturity (in Months)</u>					
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25-36 Months</u>	<u>37-48 Months</u>	<u>49-60 Months</u>	<u>More Than 60 Months</u>
County Treasury	\$ 57,718	\$ 57,718	\$ -	\$ -	\$ -	\$ -	\$ -
Money Market Mutual Funds	1,265,132	1,265,132					
Local Agency Investment Fund	223,510	223,510					
Held by bond trustees:							
Money Market Funds	375,752	375,752					
	<u>\$ 1,922,112</u>	<u>\$ 1,922,112</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.

**GROVELAND COMMUNITY SERVICES DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**June 30, 2009**

**Note 2: Cash and Investments (Continued)**

**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.

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Fiscal Year End</u>			
				<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Not Rated</u>
County Treasury	\$ 57,718	N/A	\$ -	\$ -	\$ -	\$ -	\$ 57,718
Money Market Mutual Funds	1,265,132	N/A					1,265,132
State Investment Pool	223,510	N/A					223,510
Held by bond trustees:							
Money Market Funds	375,752			375,752			
<b>Total</b>	<b>\$ 1,922,112</b>		<b>\$ -</b>	<b>\$ 375,752</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,546,360</b>

**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, 2009, \$1,650,843 of the District's deposits with financial institutions in excess of federal depository insurance limits were held in amounts that were collateralized as provided for under the California Government Code.

**GROVELAND COMMUNITY SERVICES DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009**

**Note 2: Cash and Investments (Continued)**

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.

**Note 3: Interfund Activity**

The following represents the interfund activity of the District for the fiscal year ended June 30, 2009.

Amounts due to/from other funds represent short term loans between funds to assist funds in covering current fiscal year expenditures, and are intended to be repaid within the next fiscal year.

**A. Due To/From Other Funds**

Fund	Receivable	Payable
Major Governmental Fund:		
Fire	\$ -	\$ 106,677
Major Proprietary Fund:		
Water	106,677	
	\$ 106,677	\$ 106,677

Interfund activity has been eliminated in the statement of net assets and activities except where it is between Governmental and Business-type activities.

**GROVELAND COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2009**

**Note 4: Capital Assets**

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

Governmental Activities:

	Balance at July 1, 2008	Additions	Deletions	Transfers	Balance at June 30, 2009
Capital assets not being depreciated:					
Land	\$ 95,789	\$ -	\$ -	\$ -	\$ 95,789
Construction in progress	20,671			(20,671)	
Capital assets being depreciated:					
Structures and improvements	1,228,183	6,029	(5,620)	20,671	1,249,263
Equipment	465,535	57,156			522,691
Vehicles	520,378	344,873			865,251
Total capital assets	2,330,556	408,058	(5,620)		2,732,994
Accumulated depreciation	(1,371,318)	(136,743)	95		(1,507,966)
Net Capital Assets	<u>\$ 959,238</u>	<u>\$ 271,315</u>	<u>\$ (5,525)</u>	<u>\$ -</u>	<u>\$ 1,225,028</u>

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

Public safety	\$ 96,799
Parks and recreation	39,944
Total	<u>\$ 136,743</u>

Business-type Activities:

Water

	Balance at July 1, 2008	Additions	Deletions	Transfers	Balance at June 30, 2009
Capital assets not being depreciated:					
Land	\$ 14,815	\$ -	\$ -	\$ -	\$ 14,815
Construction in progress	2,936,067	247,601			3,183,668
Capital assets being depreciated:					
Structures and improvements	13,541,074	3,652			13,544,726
Equipment	857,014	120,634			977,648
Vehicles	204,345	24,198			228,543
Total capital assets	17,553,315	396,085			17,949,400
Accumulated depreciation	(5,840,273)	(644,780)			(6,485,053)
Net Capital Assets	<u>\$ 11,713,042</u>	<u>\$ (248,695)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,464,347</u>

Sewer

	Balance at July 1, 2008	Additions	Deletions	Transfers	Balance at June 30, 2009
Capital assets not being depreciated:					
Land	\$ 410,872	\$ -	\$ -	\$ -	\$ 410,872
Construction in progress	388,233	527,964		(103,272)	812,925
Capital assets being depreciated:					
Structures and improvements	12,893,458	108,018		103,272	13,104,748
Equipment	1,112,307				1,112,307
Vehicles	625,805	28,674			654,479
Total capital assets	15,430,675	664,656			16,095,331
Accumulated depreciation	(7,831,797)	(537,327)			(8,369,124)
Net Capital Assets	<u>\$ 7,598,878</u>	<u>\$ 127,329</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,726,207</u>
Total Business-type Activities Capital Assets	<u>\$ 19,311,920</u>	<u>\$ (121,366)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,190,554</u>

**GROVELAND COMMUNITY SERVICES DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2009**

**Note 5: Long-Term Debt**

The following is a summary of changes in Long-Term Debt for the fiscal year ended June 30, 2009:

<u>Governmental Activities:</u>	Balance at July 1, 2008	Additions	Retirements	Balance at June 30, 2009	Due within one year
Equipment lease/purchase agreement	\$ 29,413	\$ -	\$ (6,030)	\$ 23,383	\$ 6,303
Compensated absences	113,265		(14,674)	98,591	
Total	<u>\$ 142,678</u>	<u>\$ -</u>	<u>\$ (20,704)</u>	<u>\$ 121,974</u>	<u>\$ 6,303</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Totals
2010	\$ 6,303	\$ 978	\$ 7,281
2011	6,589	692	7,281
2012	6,888	394	7,282
2013	3,603	81	3,684
Total	<u>\$ 23,383</u>	<u>\$ 2,145</u>	<u>\$ 25,528</u>

<u>Business-type Activities:</u>	Balance at July 1, 2008	Additions	Retirements	Balance at June 30, 2009	Due within one year
Revenue bonds payable	\$ 4,225,000	\$ -	\$ (380,000)	\$ 3,845,000	\$ 160,000
State loans	91,465		(7,193)	84,272	7,403
Special assessment bonds	84,000		(5,000)	79,000	8,000
Installment sale agreement	9,456,066		(302,614)	9,153,452	317,239
Vacuum truck loan	39,372		(21,025)	18,347	18,347
Flush truck loan	31,805		(16,984)	14,821	14,821
Tom Ford truck loan		35,585	(4,582)	31,003	6,591
Equipment capital lease agreement	278,382		(57,072)	221,310	59,658
Compensated absences	98,162	6,843		105,005	
Premium on installment sale agreement	106,841		(5,660)	101,181	5,660
Deferred gain on refunding	169,931		(9,441)	160,490	9,441
Total	<u>\$ 14,581,024</u>	<u>\$ 42,428</u>	<u>\$ (809,571)</u>	<u>\$ 13,813,881</u>	<u>\$ 607,160</u>

<u>Original Issue</u>	<u>Balance 7/1/2008</u>	<u>Additions</u>	<u>Maturities</u>	<u>Balance 6/30/2009</u>
---------------------------	-----------------------------	------------------	-------------------	------------------------------

**Revenue Bonds**

1975 Water Revenue Bonds, Series 1975 B, interest at 5% payable semiannually, principal payable annually on July 1. To be paid from cash on hand and revenue generated by the Revenue Improvement District #1. The bonds matured on July 1, 2008.

\$ 1,735,000	\$ 220,000	\$ -	\$ 220,000	\$ -
--------------	------------	------	------------	------

**GROVELAND COMMUNITY SERVICES DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009**

**Note 5: Long-Term Debt (Continued)**

	Original Issue	Balance 7/1/2008	Additions	Maturities	Balance 6/30/2009
<b>Revenue Bonds (Continued)</b>					
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	\$ 4,005,000	\$ -	\$ 160,000	\$ 3,845,000
Total Revenue Bonds		4,225,000		380,000	3,845,000
<b>State Loans</b>					
Davis-Grunsky Act Loan, interest at 2.5%, payable semiannually, principal payable annually on June 1. To be paid from cash on hand and assessments to be collected. The loan matures on January 1, 2022.	102,000	46,825		2,835	43,990
Davis-Grunsky Act Loan, interest at 3.2%, payable semiannually, principal payable annually on June 1. To be paid from cash on hand and assessments to be collected. The loan matures on January 1, 2018.	137,003	44,640		4,358	40,282
Total State Loans		91,465		7,193	84,272
<b>Special Assessment Bonds</b>					
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	84,000		5,000	79,000

**GROVELAND COMMUNITY SERVICES DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009**

**Note 5: Long-Term Debt (Continued)**

	Original Issue	Balance 7/1/2008	Additions	Maturities	Balance 6/30/2009
<b>Installment Sale Agreement</b>					
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>\$ 4,988,774</u>	<u>\$ -</u>	<u>\$ 160,757</u>	<u>\$ 4,828,017</u>
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	<u>4,467,292</u>	<u>                    </u>	<u>141,857</u>	<u>4,325,435</u>
Total Installment Sale Agreements		<u>9,456,066</u>	<u>                    </u>	<u>302,614</u>	<u>9,153,452</u>
<b>Vacuum Truck Loan</b>					
On May 5, 2005, the District entered into a promissory note agreement with Pacific State Bank for the purchase of a new vacuum truck. The promissory note was in the amount of \$99,034, with 60 monthly payments at an interest rate of 5.5%. The loan matures on May 5, 2010.	99,034	<u>39,372</u>	<u>                    </u>	<u>21,025</u>	<u>18,347</u>
<b>Flush Truck Loan</b>					
On May 5, 2005, the District entered into a promissory note agreement with Pacific State Bank for the purchase of a new flush truck. The promissory note was in the amount of \$80,000, with 60 monthly payments at an interest rate of 5.5%. The loan matures on May 5, 2010.	80,000	<u>31,805</u>	<u>                    </u>	<u>16,984</u>	<u>14,821</u>

**GROVELAND COMMUNITY SERVICES DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009**

**Note 5: Long-Term Debt (Continued)**

	Original Issue	Balance 7/1/2008	Additions	Maturities	Balance 6/30/2009
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	\$ -	\$ 35,585	\$ 4,582	\$ 31,003
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 equipments. Payments are due semiannually on January 19 and July 10, at an interest rate of 4.44%. The lease/purchase agreement matures on July 19, 2012.	\$ 305,984	278,382		57,072	221,310
Total Long-Term Debt		\$ 14,206,090	\$ 35,585	\$ 794,470	\$ 13,447,205

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

Fiscal Year Ending	Principal	Interest	Totals
June 30,			
2010	\$ 592,059	\$ 643,290	\$ 1,235,349
2011	582,549	614,765	1,197,314
2012	612,103	587,056	1,199,159
2013	599,554	557,836	1,157,390
2014	587,562	526,632	1,114,194
2015-2019	3,342,687	2,192,471	5,535,158
2020-2024	4,132,344	1,307,675	5,440,019
2025-2028	2,998,347	279,779	3,278,126
Total	\$ 13,447,205	\$ 6,709,504	\$ 20,156,709

**GROVELAND COMMUNITY SERVICES DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009**

**Note 5: Long-Term Debt (Continued)**

The Groveland Community Services District's Board and management are responsible for the administration of the Improvement Districts (Sewer Assessment District Nos. 2, 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, 2009, is as follows:

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

**Note 6: 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.

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 rate for fiscal 2008/2009 was 22.347%, (8.761% for miscellaneous plan and 13.586% 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, 2009, 2008, and 2007, were \$103,350, \$91,082, and \$48,531 respectively for miscellaneous plan and \$46,858, \$48,013, and \$41,804 respectively for fire safety plan, and equal 100% of the required contributions for each fiscal year.

**Note 7: Deferred Charges**

Bond issuance costs and bond discounts 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 \$49,555.

**Note 8: 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, 2009, the remaining balance of the economic gain was \$160,490.

**GROVELAND COMMUNITY SERVICES DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009**

**Note 9: Contingencies**

According to the District's attorneys, no contingent liabilities are outstanding and no lawsuits of any real financial consequence are pending.

**Note 10: 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 through June 30, 2007. 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.

Following is SDRMA's summary financial information as of June 30, 2009:

Total Assets	\$ 85,054,191	Total Revenues	\$ 41,235,335
Total Liabilities	<u>52,207,995</u>	Total Expenses	<u>30,712,087</u>
Total Net Assets	<u>\$ 32,846,196</u>	Change in Net Assets	<u>\$ 10,523,248</u>

**THIS PAGE INTENTIONALLY LEFT BLANK**

**REQUIRED SUPPLEMENTARY INFORMATION**



**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, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes and assessments	\$ 1,189,388	\$ 1,267,068	\$ 1,267,068	\$ -
Use of money and property		4,963	4,971	8
Other revenues	4,500	54,468	54,468	
<b>Total Revenues</b>	<b>1,193,888</b>	<b>1,326,499</b>	<b>1,326,507</b>	<b>8</b>
<b>EXPENDITURES</b>				
Current:				
Public safety	1,022,602	1,216,108	1,119,310	96,798
Capital outlay	55,692		402,029	(402,029)
Debt service:				
Principal	49,351	5,963	6,030	(67)
Interest	1,436	1,318	1,251	67
<b>Total Expenditures</b>	<b>1,129,081</b>	<b>1,223,389</b>	<b>1,528,620</b>	<b>(305,231)</b>
Net Change in Fund Balance	64,807	103,110	(202,113)	(305,223)
Fund Balance, Beginning of Fiscal Year	711,524	711,524	711,524	
Fund Balance, End of Fiscal Year	<u>\$ 776,331</u>	<u>\$ 814,634</u>	<u>\$ 509,411</u>	<u>\$ (305,223)</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, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes and assessments	\$ 112,273	\$ 121,846	\$ 121,846	\$ -
Use of money and property		1,631	1,638	7
Charges for services	1,500	1,755	1,755	
Other revenues		1,064	1,064	
Total Revenues	<u>113,773</u>	<u>126,296</u>	<u>126,303</u>	<u>7</u>
<b>EXPENDITURES</b>				
Current:				
Culture-recreation	107,555	151,548	110,117	41,431
Capital outlay	<u>10,850</u>		<u>6,029</u>	<u>(6,029)</u>
Total Expenditures	<u>118,405</u>	<u>151,548</u>	<u>116,146</u>	<u>35,402</u>
Net Change in Fund Balance	(4,632)	(25,252)	10,157	35,409
Fund Balance, Beginning of Fiscal Year	<u>154,809</u>	<u>154,809</u>	<u>154,809</u>	
Fund Balance, End of Fiscal Year	<u><u>\$ 150,177</u></u>	<u><u>\$ 129,557</u></u>	<u><u>\$ 164,966</u></u>	<u><u>\$ 35,409</u></u>



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

**PARTNERS**

RONALD A LEVY, CPA  
CRAIG A HARTZHEIM, CPA  
HADLEY Y HUI, CPA

9107 WILSHIRE BLVD., SUITE 400  
BEVERLY HILLS, CA 90210  
TEL: 310.273.2745  
FAX: 310.273.1689  
www.mlhcpas.com

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund and the fiduciary fund of the Groveland Community Services District (District), California, as of and for the fiscal year ended June 30, 2009 which collectively comprise the Groveland Community Services District's (District) basic financial statements, and have issued our report thereon dated March 19, 2010. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted certain other matters involving the internal control over financial reporting, which we reported to management of the District in a separate letter, dated March 19, 2010.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the organization, and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

*Moss, Levy & Hartzheim*

Moss, Levy & Hartzheim, LLP  
Beverly Hills, California  
March 19, 2010