TUOLUMNE UTILITIES DISTRICT

Annual Financial Report June 30, 2013

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Tuolumne Utilities District

Annual Financial Report

June 30, 2013

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Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Tuolumne Utilities District
Sonora, California

Report on the Financial Statements

We have audited the accompanying financial statements of Tuolumne Utilities District (the District), which comprise the statements of net position as of June 30, 2013, and the related statements of revenues, expenses, changes in net position, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

To the Board of Directors
Tuolumne Utilities District

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2013 and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 11 to 20 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.

Richardson & Company

September 16, 2013

Management's Discussion and Analysis

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Introduction

In this discussion and analysis, management provides an overview of the Tuolumne Utilities District's ("the District") financial position at June 30, 2013 and its financial performance for the year then ended. Condensed financial information from 2012 is also presented for comparison only. Limited information is presented about conditions and events that may affect the District's future financial position and performance. The intent is to provide context for understanding the financial statements and the District's prospects, and assistance interpreting the financial statements. This discussion and analysis presents management's perspective and should be read in conjunction with the District's financial statements and accompanying notes which follow this discussion and analysis.

Financial Statements

The District's financial statements include a statement of net position; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These financial statements, together with the related footnotes, are known as the "basic financial statements" and comply with generally accepted accounting principles, which for all state and local governments including the District, are set forth in Governmental Accounting Standards Board (GASB) Statements. In many, but not all cases, GASB Statements incorporate the provisions of Financial Accounting Standards Board Statements which establish generally accepted accounting principles for nongovernmental entities. The District's activities are business type activities and are accounted for as an enterprise fund. The accounting principles for an enterprise fund more closely resemble those of a commercial entity than a government.

Statement of Net Position

The statement of net position provides information about assets, obligations (liabilities), and net position of the District at a specific point in time. All amounts (except for investments in marketable debt securities) are shown at cost. Therefore, the liabilities, and net position sections of this statement reveal the sources of the District's capital, and the assets section shows how the capital has been used. The net position section reveals the life to date results of operations. Current assets and current liabilities are shown separately from other assets and liabilities to enable the reader to evaluate the adequacy of the District's working capital. Working capital is the excess of current assets over current liabilities, and current assets and current liabilities are those which liquidate within one year.

Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses and changes in net position provides information regarding the District's financial performance during the year. The difference between revenues and expenses is the change in net position for the period. The total net position in the balance sheet represents the life to date accumulation of changes in net position.

Revenues earned and expenses incurred during the year are presented in three categories: operating, nonoperating, and capital contributions. This allows the reader to evaluate the financial results of operating activities separately from other sources of income and expense.

The statement ends by showing how net income for the year, including capital contributions, accounts for the change in net position that occurred during the year.

Statement of Cash Flows

Because revenues and expenses are not identical to cash flows, generally accepted accounting principles require we provide the statement of cash flows. The statement of cash flows reports sources and uses of cash in four categories: operating activities, noncapital financing activities, capital financing activities, and investing activities. The statement also presents a reconciliation of the differences between net income from operations and net cash flows from operations.

Financial Highlights

Condensed Statements of Net Position
For the Years Ended June 30

	2013	(Restated) 2012	Dollar Change	Percentage Change
Current assets	$ 3,709,933	$ 10,647,208	$ (6,937,275)	-65%
Other assets and investments	10,196,458	2,399,499	7,796,959	325%
Capital assets	66,559,506	67,145,173	(585,667)	-0.9%
Total assets	$ 80,465,897	$ 80,191,880	$ 274,017	0.3%
Current liabilities	$ 1,593,641	$ 1,585,738	$ 7,903	0.5%
Long term liabilities	7,946,698	7,853,088	93,610	1%
Total liabilities	9,540,339	9,438,826	101,513	1%
Net investment in capital assets	60,024,097	59,710,742	313,355	0.5%
Restricted net position	9,620,315	7,587,356	2,032,959	27%
Unrestricted net position	1,281,146	3,454,956	(2,173,810)	-63%
Total net position	70,925,558	70,753,054	172,504	0.2%
Total liabilities and net position	$ 80,465,897	$ 80,191,880	$ 274,017	0.3%

These condensed Statements of Net Position exclude Interfund advances. The advance from the Sewer Fund to the Water Fund was reduced by $493,371 during fiscal year 2013.

2013 and 2012 Balance Sheets Compared

Current assets decreased by $6.9 million, or 65%, during 2013; while other assets increased by $7.8 million, or 325% during 2013. The majority of the change is due to the reclassification of restricted cash between current assets and other assets, which was a change of approximately $7.5 million. The 2012 amounts are restated for unbilled accounts receivable resulting in an increase in accounts receivable and net position in the amount of $1.4 million, see footnote 13. Intergovernmental receivables and prepaid expenses all increased over 2012, while miscellaneous receivable, interest receivable, and inventory each decreased.

Total capital assets increased by $2.6 million as the District invested in infrastructure improvements such as construction of the Zone 2 600,000 gallon water tank, installation of 26 ditch monitoring stations and pH sensors, an additional Monte Grande filter unit, and the Twain Harte Headworks among others; which was offset by depreciation expense of $3.1 million for a net decrease in the capital assets of $585,667 or 1%.

Current liabilities increased $7,903 or 0.5%. Accounts payable and accrued expenses, deposits, current portion compensated absences, and current portion of long term debt all increased over 2012, while payroll payable and accrued interest payable each decreased.

Long-term liabilities increased by $93,610 or 1%. The net other post employment benefits obligation increased over 2012, while long-term debt and compensated absences both decreased.

Comparative Statements of Revenues
For the Years Ended June 30

	2013	(Restated) 2012	Dollar Change	Percentage Change
Operating revenues				
Service charges	$ 12,379,179	$ 10,966,485	$ 1,412,694	13%
Other	222,396	182,047	40,349	22%
Total operating revenues	12,601,575	11,148,532	1,453,043	13%
Nonoperating revenues				
Property taxes	855,824	848,948	6,876	0.8%
Connection fees	1,960	2,190	(230)	-11%
Debt service recovery charges	482,563	473,033	9,530	2%
Intergovernmental revenue	476,035	1,259,736	(783,701)	-62%
Other income	48,634	318,051	(269,417)	-85%
Investment income	89,936	117,357	(27,421)	-23%
Gain on property & equipment	-	3,914	(3,914)	-100%
Total nonoperating revenues	1,954,952	3,023,229	(1,068,277)	-35%
Capital contributions	1,914,548	1,892,690	21,858	1%
Total revenues	$ 16,471,075	$ 16,064,451	$ 406,624	3%

2013 and 2012 Revenues Compared

The comparative statement of revenues shows changes from 2012 to 2013 in the District's revenues, classified into operating, nonoperating, and capital categories. Total revenues increased $406,624 or 3%. Total operating revenues increased 13%, due to the adopted rate increase. Nonoperating revenues decreased $1 million or 35%. This is due to decreases in grant revenues, other income, and investment income.

Comparative Statements of Operating Expenses
For the Years Ended June 30

	2013	2012	Dollar Change	Percentage Change
Supply and pumping	$ 674,693	$ 1,636,959	$ (962,266)	-59%
Collection	533,679	466,708	66,971	14%
Treatment	2,970,111	2,709,676	260,435	10%
Transmission and distribution	985,639	790,303	195,336	25%
Disposal	245,626	314,472	(68,846)	-22%
Customer services	227,757	264,281	(36,524)	-14%
General and administrative	6,919,997	6,551,835	368,162	6%
Depreciation	3,148,704	3,018,804	129,900	4%
Total operating expenses	$ 15,706,206	$ 15,753,038	$ (46,832)	-0.3%

2013 and 2012 Operating Expenses Compared

The condensed statement of operating expenses, above, shows a decrease of $46,832, less than one percent, for total operating expenses. Supply and pumping, disposal, and customer services decreased; while collection, treatment, transmission and distribution, general and administrative and depreciation increased over 2012.

2013 and 2012 Nonoperating Expense Compared

Nonoperating expense consists of interest expense which was $335,904 and $376,944 for 2013 and 2012, respectively, a decrease of approximately $40,040 or 11% due to reduced debt balances. Also included in nonoperating expense are the consultants payments for IRWMP program which is reimbursed under state funding included in the intergovernmental revenue totaling $204,335. The loss on property and equipment shown is due to removal of a tank not fully depreciated.

Condensed Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30

	2013	(Restated) 2012
Operating Revenues	$ 12,601,575	$ 11,150,722
Nonoperating Revenues	1,954,952	3,021,039
Total Revenues	14,556,527	14,171,761
Operating Expenses	15,706,206	15,753,038
Nonoperating Expenses	592,365	376,944
Total Expenses	16,298,571	16,129,982
Net Loss Before Capital Contributions	(1,742,044)	(1,958,221)
Capital Contributions	1,914,548	1,892,690
Change in Net Position	172,504	(65,531)
Beginning Net Position	69,654,133	69,719,664
Restatement	1,098,921	-
Total Net Position	$ 70,925,558	$ 69,654,133

Capital Assets and Debt Administration

Capital assets include the District's water and wastewater system infrastructure of treatment plants, ditches, wells, pipelines, pumps, other buildings, and equipment.

2013 and 2012 Capital Assets Compared

Net capital assets totaled $66 million at June 30, 2013 and decreased $1 million from the previous year due to additions of approximately $2 million, net of depreciation of $3 million. The most important addition to capital assets was $550 thousand for the new Zone 2 water tank. Another significant addition was about $475 thousand for installation of 26 ditch monitoring stations and pH sensors. See Note 3 to the basic financial statements.

2013 and 2012 LongTerm Debt Compared

At June 30, 2013 there was $7 million of long term debt outstanding and decreased by approximately $948 thousand from 2012 due to maturities of existing debt. See Note 4 to the basic financial statements.

Infrastructure Improvements 2013

ZONE TWO TANK – Funded through water rates and an insurance payment, this project was the replacement of an existing treated water tank that was damaged in a snow storm. Staff was able to site a larger tank on the District-owned lot that will allow the removal of another three smaller tanks that are down flow of the Zone Two tank in the future.

INSTALLATION OF PARSHALL FLUMES – The District engineering staff acquired a grant under Proposition 50 that funded the installation of 26 Parshall flumes. The Parshall flumes were installed in ditch systems to measure the flow in the ditch. The flumes have been connected to the District's telemetry system which allows staff to remotely monitor the flows in the ditches.

MONTE GRANDE WATER TREATMENT PLANT EXPANSION – Funded with low-interest State Revolving Funds secured by District engineering staff, the expansion of the Monte Grande water treatment plant (WTP) was completed to reduce the demand on the Crystal Falls WTP, which was at production capacity, and to eliminate the need to repair the Willow Springs WTP.

TWAIN HARTE HEADWORKS REPLACEMENT – Funded with sewer rates, District staff designed and constructed a new headworks at the Twain Harte wastewater treatment plant to modernize the handling of the solids that are screened out of the wastewater flow from the community of Twain Harte.

QUARTZ RESERVOIR RESERVE POOL PUMPING PROJECT – Since renewing a state permit in 2008, which allows the discharge of treated wastewater into Woods Creek, the District has been working towards the abandonment of its state permit to save substantial costs annually. This project, funded with connection fees and sewer rates, will span into the next fiscal year, and involves putting to beneficial use a portion of the existing treated wastewater storage that cannot be used, due to the location of this water at an elevation below the outlet tower. By utilizing the existing storage capacity, there will be adequate room for wastewater flows for current and future customers.

Infrastructure Improvements Currently Under Construction 2014

QUARTZ RESERVOIR RESERVE POOL PUMPING PROJECT – Funded with connection fees and sewer rates, the final portions of this project, started in the previous fiscal year, will include the completion of the new dry land bank irrigation system and the installation of a floating pump. The District will need to continue to locate and encumber, either by lease, purchase or contract, other agricultural lands that can be used as a dry land bank in order to maintain 100 % recycling of the treated wastewater. The design and construction was performed by District staff.

SEWER LINE INSPECTION AND EVALUATION – Funded with sewer rates, the District will, early in the 2014 fiscal year, hire a contractor to inspect and evaluate the majority of its sewer collection system to help develop a prioritized system for repairs and replacements pursuant to the settlement agreement with California Sport Fishing Alliance. This is expected to accelerate the amount of funds spent on collection system improvements in the upcoming years.

COLUMBIA TO BIG HILL INTERTIE – Funded with water rates, a treated water pipeline will be constructed to connect the Columbia and Big Hill water systems to allow repairs that are needed to the Columbia water treatment plant. One of the clear wells at the water treatment plant, which is in critical need of repair, can be scheduled after the Columbia to Big Hill intertie is complete. The intertie will also provide an additional source of water for existing and future demands.

COLUMBIA-GIBBS WATER TANK – Within the Columbia-Gibbs water system there are two other tanks that are in critical need of repair and are being operated at 50% capacity to avoid rupture. Staff has determined that the two tanks can be replaced with one tank. District staff will complete the design and site work in this fiscal year.

Water Rate Plan Adoption

The 2012/13 Fiscal Year reflects the first full year of operation under the Revised Water Rate Plan adopted by the Board of Directors on June 12, 2012. This Water Rate Plan was initially developed by a third party consultant in 2011, and proposed a water rate increase of 50% effective January 12, and 2.78% effective July 1 of FYE 2013, 2014 and 2015 and 2016. Public concern for full implementation of the Water Rate Plan, during difficult economic times, caused the Board to direct management to seek expense reductions, including employee salary and benefit concessions; then returning with a revised Water Rate Plan which reflected the budget reductions.

Beginning in early 2012, management proposed voluntary wage and benefit reductions totaling $183,525 and voluntary labor concessions totaling $225,924 annually through fiscal year 2014. In addition, in Board action dated April 24, 2012, the TUD employee union reduced future District-paid employee retiree medical payments to the minimum allowed by law, and increased future employee-paid contributions toward CalPERS retirement from 2.7% to 2%. These expense reductions allowed for the development of a modified Water Rate Plan which was ultimately adopted by the Board; and a water rate increase of an average of 6.8% was implemented effective July 1, 2012.

The Adopted Water Rate Plan was developed to reduce the financial burden of increasing rates on the average District single family residential customer, while placing a higher share of cost burden on those residential customers who use an above average amount of water during peak water usage periods. To facilitate this, the Water Rate Plan set forth a six tiered water rate, with the first tier being a zero cost “water budget” and the highest tier being that which could be avoided by customers by reducing outside irrigation during the summer. Large increases in cost, per unit of water consumed between tiers two and six, were created to allow customers to reduce water consumption and cost, while generating sufficient revenue from high water using customers to cover system costs. The Rate Plan further established a fixed tiered consumptive rate for all non- residential uses.

Estimating revenue from the newly created tier structure can be relatively difficult, and customer response to these changes varies by region, customer type, income levels, and overall customer attitude. Our rate consultant recommended the creation of a “rate stabilization reserve” of 4.5%, or $500,000 annually to ensure that an underestimated customer reduction in water usage and revenue would not produce a negative year end cash situation.

Implementation of the new six tiered rates has significantly assisted in the District’s compliance with the Water Conservation Act of 2009, also known as California State Senate Bill SBx7-7, and AB 1420, which established this law’s reporting and compliance criteria. We have met our 2020 state mandated water conservation targets for two consecutive years.

It is estimated that treated water consumption by residential customers will continue to decline as increased water conservation continues as a trend among our customers. Reduced water consumption will continue to produce reduced revenue, while not producing a commensurate cost savings. Based on the cost analysis performed in our recently adopted Urban Water Management Plan, conserved water is some of the most expensive new water (sources) to be developed within our system. Increased investment in enhanced water conservation programs is only recommended in the future in areas of the system where peak summer flows render existing systems at or above treatment and/or delivery capacity.

Other Future Revenue Considerations

District management is continuously evaluating options for reduced expenses and increased (non-rate) revenue. Studies have recently been completed by the District to determine the feasibility of increasing revenue through the installation of small hydroelectric generating facilities, on existing pipelines or ditches. Although several locations studied could produce positive revenue, the amount of income does not support these investments at this time. In addition, the District has identified vacant land on which solar power facilities could be installed to offset power consumption at the Regional Wastewater Plant, or to sell to PG&E on the grid. The District should closely monitor the value of electricity in the local market to determine the optimal point in time in which to secure a power sales agreement with PG&E. The availability of low-interest loans or grants for such facilities should also be closely monitored.

District management is in the 2013/14 fiscal year evaluating options for creating Assessment Districts or other similar funding mechanisms to raise revenue from existing vacant parcels. In determining the overall capacity of the District to provide water supply, under its current contract with PG&E and available groundwater resources, approximately 2,500 vacant parcels are considered to have water supply committed to them. These parcels existed within the PG&E water system when it was acquired by the County and ultimately the District; as well as those existing within the numerous private and public small water systems acquired by the District and its predecessors over the years. Many of these vacant parcels are located adjacent to adequate water mains and others could be served with water main extensions and/or expansion of water treatment plant and storage tank capacity. In order to ensure our various water systems are capable of servicing these parcels when they connect in the future, a certain amount of operating expense, repair and system upgrades will be required, and a proportional share of the associated cost is attributable to these parcels. The levying of assessments, if approved by the vacant property owners, would provide this funding.

Revenue increases are also realized with the addition of new connections to the system, although the growth trend has dropped to less than a dozen new customers per year. Forecasts are for continued slow growth trends over the next few years, however there are several projects in the planning and implementation stages which could increase our customer base over the next few years. The majority of the growth in the District customer numbers has been through system acquisitions, and not new construction. We expect that the trend for small private and mutual water system failure will continue and more of these systems will be acquired by the District over the next decade. The revenue increase from new customers is beneficial to the District's financial position so long as the monthly rates, connection fees and surcharges are set at a level that fully funds the cost of operation, maintenance, repair and expansion of the systems. In many system acquisitions prior to 2007, experience has shown us that these rates and fees were not charged at a level adequate to cover the cost of system operation.

The District's indirect expense, or overhead, represents approximately 21.76% of the total budget. In general, these expenses such as office building, administration staffing and office supplies, Board of Directors, are in place to support both water and wastewater services. Currently and throughout recent history, the indirect expense has been proportionally split between water and wastewater at approximately 70%/30% respectively, based on the relative number of customers served in each. In management's opinion, indirect cost allocation based solely on customer count may not take into consideration the administrative effort level required to comply with the various permits, agreements and contracts associated with each service; or take into consideration customer needs, financial planning, major initiative or project implementation. Due to the variety of factors which influence administrative effort and drive indirect costs, management has directed through a government financial consultant, the completion of an Indirect Cost Allocation Plan, which will result in the creation of a spreadsheet model that can be used to provide an accurate and justifiable application of indirect costs now and in future budget years. As load factors change, the model can be adjusted. Should the model result in significant proposed changes in indirect expense allocation from one service to the other, the District will need to make commensurate adjustments to revenue and/or expenses.

California Sportfishing Protection Alliance

In 2013, the California Sport Fishing Protection Alliance (CSPA), an environmental organization, filed a lawsuit against the District alleging that the District violated the Clean Water Act by allowing the occurrence of multiple sanitary sewer overflows (SSO). Rather than respond in court, the District followed the advice of specialized legal counsel and negotiated a settlement agreement with CSPA. In addition to over $350,000 in cash payments made in the FYE 2013 to CSPA and their beneficiaries, the settlement requires the District to reduce SSOs through increased inspection, maintenance, repair and replacement of its sewer collection system. In the 2013/14 fiscal year, sewer system costs will increase for compliance with this agreement, and management estimates that the investments in replacement or renovation of major sections of the collection system could exponentially increase over the next five to seven years to assure that SSOs are adequately reduced. Management will closely monitor all sewer system expenses, funding reserve levels and grant opportunities; and propose sewer rates or other funding mechanisms to ensure adequate capital is available to fully fund operations.

Future Grant Funding Outlook

Over the past eight years, the District has invested over $30 million in replacement and new infrastructure, with over $17 million of that funded through state and federal grants. These grants do not automatically flow to the District when it has a project or need. To receive grants, District staff must identify a project and have it in a "ready to proceed" status including design and environmental review, identify a funding source, submit pre-applications, followed by full applications and typically many hours of follow-up paperwork. A cooperative and trustful relationship with state regulators and grant administrators is a must in today's competitive environment. Once awarded, the funding must be meticulously accounted for by District staff and spent only on the project for which it was received.

Since the year 2000, there have been four major state bonds that have provided funding for District water and wastewater projects, through various state agencies. In addition, the federal American Recovery and Rehabilitation Act (ARRA) provided over $4 million for completion of the Big Hill Water System Replacement Project. These state bonds have also provided funding for the State Revolving Fund (SRF), administered by the California Department of Public Health. For certain projects in areas serving non low-income residents, rather than grants, we have received subsidized SRF loans at 0% to 2.6% interest for 20 or 30 year terms. Unfortunately, the last remaining state bond grant program is nearing exhaustion of funds, estimated for 2015. An additional bond was approved for the ballot in 2009; however its placement on the ballot has been delayed by the legislature due to difficult economic times. The bond is currently being re-tooled and could be on the ballot as soon as 2014.

District management has spent significant effort, along with our state associations, to ensure that adequate funding is made available and accessible in the upcoming bonds for projects such as those to be proposed by the District. In this upcoming bond, there will be significant priority placed on moving funding quickly to "shovel ready" projects, and those projects which serve disadvantaged, also known as low-income, communities. Considering the financial needs of the District, investments in completion of infrastructure master planning activities, update of capital improvement plans and preparing high priority projects for immediate construction is an absolute must in the coming years to receive maximum grant funding.

Requests for Information

This discussion is intended to provide management's perspective on the District's financial position and results of operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 18885 Nugget Blvd., Sonora CA 95370.

Basic Financial Statements

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Tuolumne Utilities District
Statements of Net Position - Proprietary Funds
June 30, 2013

	Water	Sewer	Total
ASSETS			
Current Assets			
Cash and investments unrestricted	$ -	$ 163,349	$ 163,349
Accounts receivable	2,058,970	436,234	2,495,204
Property taxes receivable	49,713	21,306	71,019
Intergovernmental receivable	473,035	-	473,035
Miscellaneous receivable	57,653	439	58,092
Interest receivable	4,037	1,730	5,767
Advances to water fund	-	6,748,571	6,748,571
Prepaid expenses	157,158	67,354	224,512
Inventory	153,269	65,686	218,955
Total Current Assets	2,953,835	7,504,669	10,458,504
Other Assets and Investments			
Cash and investments restricted	991,500	8,628,815	9,620,315
Assessments receivable	-	576,143	576,143
Total Other Assets and Investments	991,500	9,204,958	10,196,458
Capital Assets			
Nondepreciable	2,949,479	3,257,988	6,207,467
Depreciable, net of accumulated depreciation	43,174,382	17,177,657	60,352,039
Total Capital Assets	46,123,861	20,435,645	66,559,506
TOTAL ASSETS	$ 50,069,196	$ 37,145,272	$ 87,214,468
LIABILITIES AND NET POSITION			
Current Liabilities			
Accounts payable & accrued expenses	$ 163,867	$ 345,073	$ 508,940
Payroll payable	63,844	31,020	94,864
Deposits	148,839	58,195	207,034
Advances from sewer fund	6,748,571	-	6,748,571
Acccrued interest payable	28,616	11,440	40,056
Current portion of compensated absences	115,265	49,399	164,664
Current portion of long term debt	483,208	94,875	578,083
Total Current Liabilities	7,752,210	590,002	8,342,212
Long Term Liabilities			
Long term debt	4,583,409	1,373,917	5,957,326
Net other post employment benefits obligation	759,295	325,412	1,084,707
Compensated absences	633,265	271,400	904,665
Total Long Term Liabilities	5,975,969	1,970,729	7,946,698
TOTAL LIABILITIES	13,728,179	2,560,731	16,288,910
NET POSITION			
Net investment in capital assets	41,057,244	18,966,853	60,024,097
Restricted for capital improvements	-	8,384,839	8,384,839
Restricted for debt service	991,500	243,976	1,235,476
Unrestricted	(5,707,727)	6,988,873	1,281,146
TOTAL NET POSITION	36,341,017	34,584,541	70,925,558
TOTAL LIABILITIES AND NET POSITION	$ 50,069,196	$ 37,145,272	$ 87,214,468

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

Tuolumne Utilities District
Statements of Revenues, Expenses, and Changes in Financial Position
For the Year Ended June 30, 2013

	Water	Sewer	Total
OPERATING REVENUES			
Service charges	$ 9,473,080	$ 2,906,099	$ 12,379,179
Other revenue	24,049	198,347	222,396
Total Operating Revenues	9,497,129	3,104,446	12,601,575
OPERATING EXPENSES			
Supply and pumping	674,693	-	674,693
Collection	-	533,679	533,679
Treatment	2,231,943	738,168	2,970,111
Transmission and distribution	985,639	-	985,639
Disposal	-	245,626	245,626
Customer services	187,126	40,631	227,757
Administration and general	4,716,833	2,203,164	6,919,997
Depreciation	2,222,661	926,043	3,148,704
Total Operating Expenses	11,018,895	4,687,311	15,706,206
Net (Loss) from Operations	(1,521,766)	(1,582,865)	(3,104,631)
NONOPERATING REVENUES (EXPENSES)			
Property taxes	659,783	196,041	855,824
Connection fees	-	1,960	1,960
Debt service recovery charges	482,563	-	482,563
Intergovernmental revenue	430,630	45,405	476,035
Investment income	-	89,936	89,936
Other income	48,134	500	48,634
Other expense - IRWMP	(204,335)	-	(204,335)
(Loss) on property & equipment	(52,126)	-	(52,126)
Interest expense	(242,507)	(93,397)	(335,904)
Total Nonoperating Revenues (Expenses)	1,122,142	240,445	1,362,587
Net (Loss) Before Capital Contributions	(399,624)	(1,342,420)	(1,742,044)
CAPITAL CONTRIBUTIONS			
Capital grants	341,198	-	341,198
Facilities capital charges	183,439	1,389,911	1,573,350
Total Capital Contributions	524,637	1,389,911	1,914,548
Change in Net Position	125,013	47,491	172,504
Net Position, beginning as previously reported	35,187,812	34,466,321	69,654,133
Restatement	1,028,192	70,729	1,098,921
Net Position, beginning as restated	36,216,004	34,537,050	70,753,054
Net Position, end of year	$ 36,341,017	$ 34,584,541	$ 70,925,558

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

Tuolumne Utilities District
Statements of Cash Flow
For the Year Ended June 30, 2013

	Water	Sewer	Total
OPERATING ACTIVITIES			
Receipts from customers and users	$ 9,264,297	$ 3,113,314	$ 12,377,611
Payments to employees and benefit providers	(5,830,717)	(2,370,374)	(8,201,091)
Payments to suppliers for goods and services	(2,444,007)	(907,384)	(3,351,391)
Cash Provided (Used) by Operating Activities	989,573	(164,444)	825,129
NONCAPITAL FINANCING ACTIVITIES			
Property taxes and assessments received	610,070	236,538	846,608
Receipts from customers for connection fees	-	1,960	1,960
Receipts from customers for debt recovery	482,563	-	482,563
Other income	69,867	500	70,367
Cash received from (paid to) other funds	(493,371)	493,371	-
Payments for reimbursable expenses	(204,335)	-	(204,335)
Receipts from other governments	269,292	45,405	314,697
Cash Provided by Noncapital Financing Activities	734,086	777,774	1,511,860
CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(1,573,869)	(1,063,027)	(2,636,896)
Principal paid on long term debt	(743,966)	(204,482)	(948,448)
Proceeds from issuance of long term debt	49,426	-	49,426
Receipts from other governments - capital grants	208,198	-	208,198
Receipts from customers and users - facility fees	183,439	1,389,911	1,573,350
Interest paid on long term debt	(236,406)	(94,432)	(330,838)
Cash (Used) by Capital and Related Financing Activities	(2,113,178)	27,970	(2,085,208)
INVESTING ACTIVITIES			
Investment interest (expense) earnings	(25,567)	90,340	64,773
Cash Provided by Investing Activities	(25,567)	90,340	64,773
Net Increase (Decrease) in Cash and Investments	(415,086)	731,640	316,554
Cash and Investments, Beginning of Year	1,406,036	8,060,524	9,466,560
Cash and Investments, End of Year	$ 990,950	$ 8,792,164	$ 9,783,114
RECONCILIATION OF CASH TO STATEMENT OF NET POSITION			
Cash and investments unrestricted	$ -	$ 163,349	$ 163,349
Cash and investments restricted	991,500	8,628,815	9,620,315
Total cash and investments	$ 991,500	$ 8,792,164	$ 9,783,664
RECONCILIATION OF NET (LOSS) FROM OPERATIONS TO CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Net (Loss) from Operations	$ (1,521,766)	$ (1,582,865)	$ (3,104,631)
Depreciation	2,222,661	926,043	3,148,704
(Increase) decrease in operating assets			
Accounts receivable	(328,077)	(474)	(328,551)
Miscellaneous receivables	98,719	(171)	98,548
Prepaid expenses	(25,689)	(11,010)	(36,699)
Inventory	18,045	7,734	25,779
Increase (decrease) in operating liabilities			
Accounts payable & accrued expenses	(73,690)	224,765	151,075
Payroll payable	(5,250)	1,409	(3,841)
Deposits payable	(3,474)	9,513	6,039
Other postemployment benefit obligations	602,143	258,061	860,204
Compensated absences	5,951	2,551	8,502
Net Cash Provided (Used) by Operating Activities	$ 989,573	$ (164,444)	$ 825,129

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

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Notes to the Basic Financial Statements

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Notes to the Basic Financial Statements

NOTE 1 – Summary of Significant Accounting Policies

A. Reporting Entity

The Tuolumne Utilities District (District) was organized in 1992 as a result of combining the Tuolumne Regional Water District and the County Water Department under Division 12 of the California Water Code. The District is governed by an elected five member Board of Directors. This District's Board is elected at large and has the authority to develop and operate water facilities for consumption and hydroelectric power generation, and sewer facilities for collection treatment and disposal of sewage. The Board of Directors has the authority to fix rates and charges for the District's commodities and services. The District may also incur indebtedness, including issuing bonds, and is exempt from federal and state income taxes. The District has no component units.

B. Basis of Accounting

These financial statements are prepared in conformity with accounting principles generally accepted ("GAAP") in the United States of America. The Governmental Accounting Standards Board ("GASB") is the acknowledged standard setting body for accounting and financial reporting standards followed by government entities in the United States of America. The District is presented as two enterprise funds for water and sewer, respectively. A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific government activity. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business where activities are financed in whole or in substantial part by fees charged in exchange for goods and service provided by the District. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange like transactions are recognized when the exchange takes place, so revenues are recognized when earned rather than when received, and expenses are recorded when incurred rather than when paid.

The District applies all applicable GASB pronouncements in its accounting and reporting. Private sector standards of accounting and financial reporting issued by the Financial Accounting Standard Board ("FASB") are followed in the District's financial statements to the extent that those standards do not conflict with or contradict GASB statements.

The District classifies as operating revenues those charges for goods and services which constitute the primary business activities of the District. Operating expenses are those required to provide the primary goods and services of the District and to earn the operating revenues. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses, which includes nonexchange transactions and ancillary activities.

C. Cash and Cash Equivalents

GAAP allows a financial statement issuer to choose the focus of the statement of cash flows as either cash or "cash and cash equivalents". The District reports restricted and unrestricted cash, including bank deposits and the District's investment in the State of California Local Agency Investment Fund (LAIF), as well as cash equivalents in the statement of cash flows. The District defines cash equivalents as certain highly liquid investments with an original maturity of three months or less, including only money market mutual funds.

D. Restricted Assets

The use of some assets can be restricted to certain purposes by law, by grantors of the assets, by legislative acts of the Board of Directors, or by contracts to which the District is a party. When the District has a choice to use either restricted or unrestricted funds the District's policy is normally to use restricted funds first.

E. Receivables

Trade and property tax receivables are not shown net of an allowance for uncollectible amounts because the amounts estimated by management to be uncollectible are immaterial. The funds include a year-end accrual for services through the end of the fiscal year which have not yet been billed. Property taxes are levied as of January 1 on property values assessed as of the same date. State statutes provide that the property tax rate is limited generally to one percent of assessed value, and can be levied by only the county, and shared by applicable jurisdictions within the county. The County of Tuolumne collects the taxes and distributes them to taxing jurisdictions on the basis of assessed valuations subject to voter approved debt. Property taxes are due to the county on November 1 and February 1, and become delinquent after December 10 and April 10. The District recognizes property tax revenues in the year for which they are levied. Intergovernmental receivables include receivables due from other governments for State pass-through grants and other reimbursements.

Assessments receivable represents amounts due from property owners as a result of the special assessment district formed August 28, 1983 to provide funding for the design and construction of four wastewater collection facilities. The Tuolumne County Treasurer forwards capital contributions from the special assessment district to Tuolumne Utilities District as the proceeds are received.

F. Inventory

Inventories are valued at cost based upon physical determinations made at the end of each year. Inventories are assumed to be consumed on the "last in, first out" basis.

G. Prepaid expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the financial statements.

H. Capital Assets

Property, plant, equipment and infrastructure are reported at historical cost. If the individual cost is less than $5,000 or the estimated useful life is less than three years, then the cost is reported as an expense rather than as a capital asset. The District capitalizes as part of the asset cost, any significant interest incurred during the construction phase of the asset. Donated property and assets constructed by developers are recorded at estimated fair market value at the date of donation. Depreciation is provided using the straight line method for assets other than land. Estimated useful lives as are follows:

Assets	Years
Utility systems and buildings	10-50
Transportation and other equipment	5-20
Office furniture and equipment	5-15

I. Compensated Absences

The total amount of liability for compensated absences is reflected in the basic financial statements. It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is liability for a portion of unpaid accumulated sick leave since the District does have a collective bargaining agreement with or on behalf of its employees which provides payments up to 100 percent of the accumulated and unused portion of sick leave amounts when employees separate from service with the District either at retirement or other termination of employment.

J. Use of Estimates

The preparation of financial statements in conformity with the 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.

Notes to the Basic Financial Statements

NOTE 2 – Cash and Investments

A. Classification

The District pools all of its cash and investments except those funds required to be held by outside fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash is allocated to the various funds on average cash balances. Interest income from cash and investments held with fiscal agents is credited directly to the related funds.

Cash and investments are reported in the financial statements as follows:	
Statement of Net Position	
Cash and investments	$ 163,349
Restricted cash and investments	9,620,315
Total cash and investments	$ 9,783,664

Cash and investments as of June 30, 2013 consist of the following:	
Cash on hand	$ 475
Deposits with financial institutions	194,062
Local Agency Investment Fund (LAIF)	9,422,156
Held by bond trustee:	
Deposits with financial institutions	93,667
Money market mutual funds	73,304
Total cash and investments	$ 9,783,664

B. Investment Policy

California statutes authorize districts to invest idle, surplus or reserve funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by the bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

The District's investment policy only authorizes selection of investments based on safety, liquidity and yield, authorizing investment in the Local Agency Investment Fund administered by the State of California (LAIF). Except for Government Code § 53601, as amended in 1995, prohibiting investment in "inverse floaters", "range notes", and "interest only strips", the District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
State of California obligations	5 years	None	None
Bankers' Acceptances	180 days	40%	30%
Commercial Paper	270 days	40%	10%
Negotiable Certificates of Deposits	5 years	30%	None
Repurchase Agreements	92 days	20%	None
Medium Term Corporate Notes	5 years	30%	None
Money Market Mutual Funds	N/A	20%	10%
Mortgage pass-through securities	5 years	20%	None
Local Agency Investment Fund (LAIF)	N/A	None	None

*Excluding amounts held by the bond trustee that are not subject to California Government Code restrictions.

The District complied with the provisions of the California Government Code (or the District's investment policy, where more restrictive) pertaining to the types of investments held, the institutions in which deposits were made and the security requirements. The District will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

C. Investments Authorized by Debt Agreements

Investments of debt proceeds held by the bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy.

D. Interest Rate Risk and Credit Risk

Interest rate risk is the risk that increases in market interest rates will decrease the market value of an investment. Normally, the longer the remaining maturity of an investment, the greater is the sensitivity of its market value to changes in the 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	12 months or less	One to five years	Total
Money market funds	$ 73,304	$ -	$ 73,304
Local Agency Investment Fund	9,422,156	-	9,422,156
Total investments	$ 9,495,460	$ -	9,495,460
Cash in bank and on hand			288,204
Total cash and investments			$ 9,783,664

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating by Standard & Poor's required by the California Government Code or the District's investment policy and the actual rating as of June 30, 2013 for each investment type:

Investment Type	Minimum Rating	Ratings as of Year End AAA	Not Rated	Total
Local Agency Investment Fund	N/A	$ -	$ 9,422,156	$ 9,422,156
Held by bond trustee:				
Money market mutual fund	AAA	73,304	-	73,304
Total investments		$ 73,304	$ 9,422,156	$ 9,495,460

Concentration of Credit Risk

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

E. 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 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, 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 governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2013, the carrying amounts of the District's deposits were $287,729 and the balances in financial institutions were $743,453. Of the balance in financial institutions, $343,667 was covered by federal depository insurance and $399,786 was collateralized as required by State law (Government Code Section 53630), by the pledging financial institution with assets held in a common pool for the District and other governmental agencies, but not in the name of the District

F. California Local Agency Investment Fund

LAIF is stated at amortized cost, which approximates fair value. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. The total fair value amount invested by all public agencies in LAIF is $58,828,474,533 managed by the State Treasurer. Of that amount, 1.96% is invested in structured notes and asset-back securities. No amounts were invested in derivative financial products. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. 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.

Notes to the Basic Financial Statements

NOTE 3 – Capital Assets

Changes in capital assets accounts for the year ended June 30, 2013 are summarized below:

	Balance July 1, 2012	Additions	Disposals	Transfers	Balance June 30, 2013
Capital assets, not being depreciated:					
Land	$ 5,029,877	$ -	$ -	$ -	$ 5,029,877
Construction in progress	916,784	801,463	(11,910)	(528,747)	1,177,590
Total capital assets, not being depreciated	5,946,661	801,463	(11,910)	(528,747)	6,207,467
Capital assets, being depreciated:					
Water utility system - infrastructure	62,901,117	1,345,737	(95,736)	389,594	64,540,712
Sewer utility system - infrastructure	33,792,815	437,826	-	139,153	34,369,794
Buildings - administration	3,785,404	-	-	-	3,785,404
Equipment and machinery	7,008,108	51,870	(89,298)	-	6,970,680
Total capital assets, being depreciated	107,487,444	1,835,433	(185,034)	528,747	109,666,590
Accumulated depreciation:					
Water utility system - infrastructure	(22,368,169)	(1,927,106)	54,229	-	(24,241,046)
Sewer utility system - infrastructure	(17,813,587)	(785,418)	-	-	(18,599,005)
Buildings - administration	(1,179,505)	(96,372)	-	-	(1,275,877)
Equipment and machinery	(4,927,671)	(339,808)	68,856	-	(5,198,623)
Total accumulated depreciation	(46,288,932)	(3,148,704)	123,085	-	(49,314,551)
Total capital assets, being depreciated, net	61,198,512	(1,313,271)	(61,949)	528,747	60,352,039
Total capital assets, net	$ 67,145,173	$ (511,808)	$ (73,859)	$ -	$ 66,559,506

NOTE 4 – Long-Term Debt

The District generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt. The District’s debt issues and transactions are summarized on the following page.

A. Required disclosure of long-term debt activity

	Balance July 1, 2012	Additions	Retirements	Balance June 30, 2013	Current Portion
Special Assessment Bonds					
1976 Pinecrest Assessment District*	$ 21,875	$ -	$ -	$ 21,875	$ -
1983 Greenly Basin Assessment District*	5,000	-	-	5,000	-
1984 Clean Water Assessment District	458,097	-	(40,000)	418,097	-
Certificates of Participation					
1991 COP	821,000	-	(24,000)	797,000	26,000
Loans Payable					
2007 LaSalle	924,972	-	(112,228)	812,744	39,231
2005 LaSalle	805,217	-	(84,909)	720,308	88,991
2005 SDWSRF	30,634	-	(2,451)	28,183	1,225
1996 SDWR	44,969	-	(4,638)	40,331	4,797
1996 LaSalle	1,377,625	-	(273,361)	1,104,264	291,108
1994 LaSalle	195,852	-	(195,852)	-	-
1994 SDWR	237,880	-	(157,339)	80,541	80,541
1991 SDWR	63,572	-	(6,160)	57,412	6,365
1987 SDWR	17,154	-	(2,352)	14,802	2,449
1978 USDA	28,537	-	(6,460)	22,077	6,783
2008 SDWSRF	451,306	-	(16,715)	434,591	8,358
2011 SDWSRF	1,109,481	-	(21,983)	1,087,498	22,235
2012 SDWSRF - Loan Advance	841,260	49,426	-	890,686	-
Total Long Term Debt	$ 7,434,431	$ 49,426	$ (948,448)	$ 6,535,409	$ 578,083

* These bond amounts represent fully matured but unsurrendered certificates.

B. Description of individual long-term debt issues outstanding

1984 Clean Water Assessment Bonds

A special assessment district was formed August 28, 1983 to provide funding for the design and construction of four wastewater collection facilities in the communities of Willow Springs, Mono Vista, Crystal Falls Unit #1, and Ranchos Poquitos that experienced chronic failures of on-site septic systems. The Tuolumne County Treasury forwards capital contributions from special assessment districts to the District as the proceeds are received. A loan agreement with the United States Department of Agriculture, Rural Development was also obtained in August 1983, payable in installments of interest semi-annually and principal annually through July 2, 2022, including interest at 5%. The original amount of the debt was $1,230,000.

1991 Certificates of Participation (COP)

On March 1, 1991 the District issued $1,100,000 of 1991 net revenue Certificates of Participation. The issue was used to provide funds to design and construct a new water treatment plant (Columbia Water Project) with a capacity of 1 million gallons per day and one storage tank with a capacity of 150,000 gallons. These Certificates are held by the United States Department of Agriculture, Rural Development, and mature through March 1, 2031. The Certificates are not subject to prepayment and interest is paid semi-annually on February 15 and August 15 and principal is paid annually on February 15 and have a stated interest rate of 6%. The Certificates require that a reserve be maintained in an amount equal to 100% of the maximum annual debt service. An invested deposit in the amount of $73,304 is held on behalf of the District by the Trustee.

2007 LaSalle Loan

On January 18, 2007, the District entered into an Installment Sale Agreement with LaSalle Bank National Association for the purchase of land. The agreement is secured by a first lien against all water revenues, “at Parity” with the 1996 Installment Sale Agreement. The District covenants that it shall prescribe, revise and collect such charges for the services and facilities of the wastewater system which shall produce wastewater revenues sufficient in each fiscal year to provide net wastewater revenues equal to at least 1.25 times debt service coming due and payable during such fiscal year. The loan is paid semi-annually in installments of $58,859 which includes interest at 4.83% for a period of 15 years, maturing on January 18, 2022.

2005 LaSalle Loan

On March 23, 2005, the District entered into an Installment Sale Agreement with LaSalle Bank National Association for the design and construction of two water storage tanks in the Crystal Falls (1.5 MG) and Sonora (1 MG) water systems. The agreement is secured by a first lien against all water revenues, “at Parity” with the 1991 COP’s and the 1994 and 1996 Installment Sale Agreements. The District covenants that it shall prescribe, revise and collect such charges for the services and facilities of the water system which shall produce water revenues sufficient in each fiscal year to provide net water revenues equal to at least 1.25 times debt service coming due and payable during such fiscal year. The loan is paid semi-annually in installments of $61,080 which includes interest at 4.75% for a period of 15 years, maturing on March 23, 2020.

2005 SDWSRF Loan

In 2005, the District entered into a Revolving Fund Agreement with the California State Department of Water Resources, State Revolving Fund for the design and construction of a treated water distribution system including remote read meters to approximately 50 rural residences along an untreated raw water conveyance. The Agreement pledged water fund revenues. The zero-interest rate loan is paid semi-annually in principal installments of $1,225 for a period of 20 years, maturing on January 1, 2025.

1996 SDWR Loan

In 1996, the District entered into a Loan Agreement with the California State Department of Water Resources for the design and construction of a treated water distribution system. The Agreement is secured by real and personal property. The loan is paid semi-annually in installments of $3,076 which includes interest at 3.46%, maturing on October 1, 2020.

1996 LaSalle Loan

In 1996, the District entered into an Installment Sale Agreement with LaSalle Bank National Association for water infrastructure improvements. The Agreement is secured by a first lien against all water revenues, “at Parity” with the 1991 COP’s. The District covenants that it shall prescribe, revise and collect such charges for the services and facilities of the system which shall produce revenues sufficient in each fiscal year to provide net revenues equal to at least 1.25 times debt service coming due and payable during such fiscal year. The loan is paid semi-annually in installments of $178,546 which includes interest at 6.39%, maturing on December 23, 2016.

1994 LaSalle Loan

In 1994, the District entered into an Installment Sale Agreement with LaSalle Bank National Association for water infrastructure improvements. The Agreement is secured by a first lien against all water revenues, “at Parity” with the 1991 COP’s. The loan is paid semi-annually in installments of $102,725 which includes interest at 6.5%, maturing on July 1, 2013. This loan was retired as of June 30, 2013.

1994 SDWR Loan

In 1994, the District entered into an Installment Sale Agreement with the California State Department of Water Resources for the design and construction of the Shaws Flat raw water pipeline. The Agreement is secured by real and personal property. The loan is paid semi-annually in installments of $81,824 which includes interest at 3.18%, maturing on October 1, 2013.

1991 SDWR Loan

In 1991, the District entered into a Loan Agreement with the California State Department of Water Resources for the design and construction of water distribution improvements to the Columbia water system. The Agreement is secured by real and personal property. The loan is paid semi-annually in installments of $4,123 which includes interest at 3.37%, maturing on April 21, 2021.

1987 SDWR Loan

In 1987, the District entered into a Loan Agreement with the California State Department of Water Resources for the design and construction of an interconnecting pipeline. The Agreement is secured by real and personal property. The loan is paid semi-annually in installments of $1,519 which includes interest at 4.14%, maturing on October 1, 2018.

1978 USDA Loan

In 1978, the District entered into a Loan Agreement with the United States Department of Agriculture, Rural Development for the design and construction of improvements to the Sugar Pine water system. The Agreement is secured by real and personal property. The loan is paid semi-annually in installments of $7,887 which includes interest at 5%, maturing on December 2, 2016.

2008 SDWSRF Loan

In 2008, the District entered into a Revolving Fund Agreement with the California State Department of Water Resources, State Revolving Fund for the design and construction of a water treatment plant. The Agreement includes a covenant to establish rates and changes in amounts sufficient to generate net income equal to 1.1 times that of debt service on all obligations until the loan is repaid in full. The Agreement pledged water fund revenues. The zero-interest rate loan is paid semi-annually in principal installments of $8,358 for a period of 30 years, maturing on July 1, 2039.

2011 SDWSRF Loan

In 2011, the District entered into a Revolving Fund Agreement with the California State Department of Public Health, Safe Drinking Water State Revolving Fund for Monte Grande water improvements. The Agreement pledged water fund revenues. The loan is paid semi-annually in installments of $34,788 which includes interest at 2.3086% for a period of 20 years, maturing on January 1, 2033.

2012 SDWSRF Loan Advance

In 2012, the District entered into a Revolving Fund Agreement with the California State Department of Public Health, Safe Drinking Water State Revolving Fund for Crystal Falls/Willow Springs water improvements. The total cost of the project was estimated to be $1,184,704 with the State agreeing to lend the District an amount not to exceed $1,184,704. A portion of the loan totaling $841,260 was received prior to June 30, 2012 with additional loan funds of $49,426 received during the fiscal year ended June 30, 2013. The agreement requires water rates and charges equal to at least 1.20 times debt service. The loan bears interest at 2.3035% with semi-annual payments over a twenty-year period. Repayment of principal will not begin until the total loan amount is finalized by the California State Department of Public Health.

C. Debt service requirements to maturity

The annual requirements to amortize principal and interest on the above long-term debt at June 30, 2013 are as follows:

Years ending June 30,	Principal	Interest	Total
2014	$ 578,083	$ 195,821	$ 773,904
2015	664,107	206,971	871,078
2016	674,721	172,737	847,458
2017	524,297	136,440	660,737
2018	368,519	115,659	484,178
2019-2023	1,480,167	351,940	1,832,107
2024-2028	639,825	163,935	803,760
2029-2033	606,356	45,043	651,399
2034-2038	83,575	-	83,575
2039-2040	25,073	-	25,073
Advance	890,686	-	890,686
	$ 6,535,409	$ 1,388,546	$ 7,923,955

D. Reserve Requirements, Pledged Revenues, and Rate Covenants

Debt covenants for the installment sale agreements to LaSalle Bank National Association, the loan agreements to the California State Department of Public Health, the United States Department of Agriculture, and the Certificates of Participation include reserve requirements be maintained by the District equal to the annual debt service payments. The District is in compliance with those covenants as of June 30, 2013.

As noted above in the individual debt issues outstanding, the District has pledged future water and sewer system revenues, net of specified operating expenses, to repay debt in the original amount of $8,205,962. Proceeds of these issues were used to refund certain debt issuances as described above and to fund improvements to the District's water and sewer systems. The debts are payable solely from water and sewer system revenues and are payable through July 1, 2039 and January 18, 2022, respectively. Annual principal and interest payments on the debts are expected to require approximately 24% of net revenues for water systems and all net revenues for sewer systems. Total principal and interest remaining to be paid on the debts was $4,925,075 at June 30, 2013.

Cash basis debt service paid during the year ended June 30, 2013 total $932,633 and $307,737 for water and sewer systems, respectively. Total water and sewer system net revenues calculated in accordance with the covenants were $2,117,670 and $(322,980), respectively, at June 30, 2013. The District is not in compliance with the rate covenant contained in the 2007 LaSalle loan agreement due to unanticipated expenditures within the sewer fund. Management believes the bank will waive this noncompliance.

NOTE 5 – Net Position

Net Position is the excess of all the District's assets outflows over all its liabilities. Net Position is divided into three categories as follows:

Investment in Capital Assets describes the portion of net position which is represented by the current net book value of the District's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the District cannot unilaterally alter, or is restricted by enabling legislation. These principally include facility capacity fees received for use on capital projects, fees charged for the provision of future water resources and debt service reserve funds. The debt service reserve is established under the terms of the various debt agreements to be used in the event of inadequate funds to pay debt service.

Unrestricted describes the portion of net position which is not restricted as to use.

NOTE 6 – Retirement Plan

Plan Description

The District contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. The District participates in the miscellaneous 2.7% at 55, 2% at 55, and 2% at 62 risk pools for employees hired prior to November 16, 2012, prior to January 1, 2013, and after January 1, 2013, respectively. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CALPERS acts as a common investment and administrative agent for participating public employers within the State of California. CalPERS requires agencies with less than 100 active members in the plan to participate in the risk pool. All full and part-time District employees working at least 1,000 hours per year are eligible to participate in CalPERS. Under CalPERS, benefits vest after five years of service. Upon retirement, participants are entitled to an annual retirement benefit, payable for life, in an amount equal to a benefit factor times the monthly average salary of their highest twelve consecutive months full-time equivalent monthly pay. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees' Retirement Law. The Plan selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through District resolution. 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, California 95814.

Funding Policy

Plan participants are required to contribute 8 percent of their annual covered salary. The District makes the contributions required of general bargaining unit employees, under the memorandum of understanding, and all of the contributions required of management employees. The amount paid by the District on behalf of the employees for the year ended June 30, 2013 was $368,597. The District is required to contribute at an actuarially determined rate. The required employer contribution rate for fiscal years ended June 30, 2011, 2012, and 2013; was 17.943%, 20.553%, and 21.184%; respectively of covered payroll. The contribution requirements of the plan members and the District are established and may be amended by CalPERS. The District's contributions for the years ended June 30, 2013, 2012, and 2011 were $981,306, $992,972, and $845,963; respectively, which were equal to the required contributions each year.

NOTE 7 – Compensation Absences

It is the District policy to permit employees to accumulate earned but unused vacation, sick leave pay and compensatory time off (CTO) benefits. All vacation, sick pay and CTO is recorded as an expense and a liability at the time the benefit is earned.

	Balance July 1, 2012	Additions	Retirements	Balance June 30, 2013	Current Portion
Vacation	$ 377,683	$ 71,483	$ (81,545)	$ 367,621	$ 81,545
Sick leave	673,955	96,310	(75,838)	694,427	75,838
Comp time	9,189	24,845	(26,753)	7,281	7,281
	$ 1,060,827	$ 192,638	$ (184,136)	$ 1,069,329	$ 164,664

Vacation Pay

Vacation pay is accrued and credited to regular full time employees after three months of service, and are entitled to take up to one week accrued vacation with pay after 1,040 hours of actual continuous service. Employees are limited to a maximum vacation credit accrual of 360 hours. Once an employee has accrued 360 hours of vacation pay, no further accrual is allowed. Vacation credit is accumulated as follows:

Years of Service	Equivalent Days per Annum
0 – 2 years	10
3 – 9 years	15
10 – 20 years	20
Over 20 years	25

Sick Leave Pay

Regular full time employees receive 3.692 hours of sick leave credit for each pay period worked. There is no limit on the maximum amount of sick leave hours accrued. Employees terminating District service in good standing shall be compensated for accrued sick leave as follows. The rate of compensation paid at termination is the employee's current base rate of pay for the first 240 hours and 50% for all additional hours accrued. An employee retiring from the District with five or more years of service may elect to convert accumulated sick leave hours to additional PERS retirement service at the rate of .004 year of service credit for each day of unused sick leave per Government Code Section 20862.8.

Compensatory Time Off (CTO)

An hourly employee may elect to accrue CTO in lieu of receiving overtime pay. Employees with accrued CTO credit may take up to a maximum of five days at any one time. Any unused CTO credits will be paid out by January 31 of each year.

NOTE 8 – Other Postemployment Benefits (OPEB)

Plan Description

The District provides 100% of the monthly medical insurance premiums for retired employees and qualified family members until they reach age 65 and are eligible for Medicare. At age 65, these benefits are then reduced to include the coverage provided by Medicare. To be eligible for these benefits, the employee must be 50 years of age upon retirement with five years of service. Currently 41 retirees meet this eligibility requirement.

On July 28, 2009, the District's Board passed a resolution to participate in the California Employers Retirees Benefit Trust (CERBT), an irrevocable trust established to fund OEPB. CERBT is administered by CalPERS, and is managed by an appointed board not under the control of the District's Board of Directors. This Trust is not considered a component unit by the District and has been excluded from these financial statements. Separately issued financial statements for CERBT may be obtained from CalPERS at P.O. Box 942709, Sacramento CA 94229-2709.

Effective February 1, 2006 all newly hired employees will vest on a sliding scale as follows:

Credited Year of Service	Vesting %
10	50%
11	55%
12	60%
13	65%
14	70%
15	75%
16	80%
17	85%
18	90%
19	95%
20	100%

Effective May 1, 2013 for all newly hired employees the employer's contribution for each employee or annuitant shall be the amount necessary to pay the full cost of enrollment, including the enrollment of family members, in a health benefit plan up to a maximum of the minimum employer contributions per month as prescribed in Section 22892(b) (1) of the Government Code.

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the Board of Directors. Although a Trust has been established, the District is currently funding the OPEB plan on a pay-as-you-go basis. During the year ended June 30, 2013, the District made health insurance premium payments on behalf of retirees of $385,722. Plan members did not make any contributions to the Plan.

Annual OPEB Cost and Net OPEB Cost (Expense)

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), 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 (amounts expressed in thousands) shows the components of the District's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the Plan, and changes in the District's Net OPEB obligation:

	2013
Annual required contribution end of year	$ 1,278
Interest on net OPEB obligation	168
Adjustment to annual required contribution	(200)
Annual OPEB cost (expense)	1,246
Contributions made including credited interest	(385)
Increase in net OPEB obligation	861
Net OPEB obligation, beginning of period	224
Net OPEB obligation, end of period	$ 1,085

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for the three most recent fiscal years are as follows (amounts expressed in thousands):

Fiscal Year Ending	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	$1,150	$1,306	113.6%	$(156)
June 30, 2012	1,172	795	67.8%	224
June 30, 2013	1,246	385	30.1%	1,085

Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2011, from the Plan's most recent actuarial valuation and the three previous valuations, was as follows (amounts expressed in thousands):

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Ratio	Annual Covered Payroll	UAAL As a % of Payroll
June 30, 2009	$8,377	$ -	$8,377	0.0%	$4,271	196.1%
June 30, 2010	$10,834	$2,060	$8,774	19.0%	$4,776	183.7%
June 30, 2011	$14,779	$3,282	$11,497	22.2%	$4,599	250.0%

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. 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, as shown above, presents multi-year 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 plan members) and include the type 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 June 30, 2011 actuarial valuation, the entry age normal cost method was used. The actuarial valuation used the rates of mortality, disability and other withdrawals used by CALPERS in the valuation of the District's pension plan. The actuarial assumptions included a 6.25% investment rate of return, inflation rate of 3%, healthcare premium increases starting at 9.4% and declining to 5% for 2020 and later, and projected salary increases of 3.25%. The asset valuation method used is 5-year smoothed market. The UAAL is being amortized over a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 was 30 years.

Notes to the Basic Financial Statements

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; injuries to employees; and natural disasters for which the District participates in the Special District Risk Management Authority (SDRMA) Property and Liability Insurance Program for risk of loss. The program provides general liability, property, commercial auto, boiler and machinery, employment practices, employee dishonesty coverage, employment benefits liability, public official errors and omissions and public official personal liability insurance coverage.

SDRMA is composed of California public entities and is organized under a joint powers agreement pursuant to California Government Code Section 6500 et seq. The purpose of SDRMA is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance and administrative services.

The District paid no material uninsured losses during the last three fiscal years and had no significant reductions in coverage during the year. Liabilities of the District are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The District considers claims incurred and reported, as well as claims incurred but not reported, to be immaterial and has not accrued an estimate of such claims payable.

The District's maximum coverage as of June 30, 2013 consisted of $10 million for general liability, public officials and employees' errors, employment practices liability and auto liability. In addition, the District has property coverage of $1 billion and boiler and machinery coverage of $100 million.

NOTE 10 – Groveland/Tuolumne Financing Authority

The Groveland/Tuolumne Financing Authority was created on June 1, 1994, by a Joint Exercise of Powers Agreement by and between the Groveland Community Services District and the Tuolumne Utilities District. The purpose of the Authority is to assist in financing the acquisition, construction and improvement of property for either or both of the Districts. The Authority serves as a legal mechanism by which conduit debt issuances are accomplished by both Districts. Debt transactions of the Authority that represent liabilities of Tuolumne Utilities District are reflected in the accompanying financial statements.

The Authority, as of June 30, 2013, has placed no debt for Tuolumne Utilities District. Copies of the Authority's annual financial report may be obtained from the Groveland Community Services District office: 18966 Ferretti Road, Groveland, CA 95321.

NOTE 11 – Advances to Water Fund from Sewer Fund

Advances from the Sewer Fund to the Water Fund represent negative cash in the Water Fund as a result of cash outflow exceeding cash inflow. The advances provided by the Sewer Fund are the results of deficits in the Water Fund in previous years. The balance due will be repaid as funds are available. However, it is not expected that the amount will be repaid within one year. Interest has been charged to the Water Fund for its negative cash balance beginning in 2011 at the LAIF interest rates.

The cause of the deficit began decades ago during the building boom of the late 80's and 90's, wherein the District was seeing many new system connections. In addition and most damaging financially, the District acquired 18 defunct water systems during those decades. The cost to operate and repair, or in some cases replace these systems, was grossly underestimated. But, due to the continuing new connections to the existing and acquired systems, interconnections between systems to make new capacity available for new customers and the associated positive revenue flow, much of the infrastructure became stressed and began failing. In response, the District's management and the Board in the early 2000's advanced a number of high cost, but necessary infrastructure projects.

From 1990 through 2000, however, the average annual investment in water capital projects was $1.3 million, with a high of $2.8 million and a low of $576,000. In 2000 through 2012, the average investment increased to $3.4 million with a high of $6.5 million and a low of $1.5 million. Construction crews and engineering staff were hired to construct works in-house with substantial savings. Projects that were planned and designed in 2001 through 2003 began construction in 2004, 2005 and early 2006. Once the construction was started on each, it had to be finished.

In 2007, in an attempt to balance the budget going forward, and recognizing the warnings of management each year that reserve funds were being depleted, the Board directed staff to continue on the path toward completion of the major projects and no reductions in maintenance, repair or customer service and as a result, the Board committed to pursue necessary water rate increases to cover increasing operating costs, continuing infrastructure failure costs and cash deficits. The Board directed the preparation of five-year water rate studies in 2009, which was completed by District management, and again in 2011, which was completed by consultant.

The five year program in 2009 was approved by the Board and following less than 50 protests submitted during the rate increase hearing, the Board chose to implement only the first year's increase. The 2011 rate study and proposed increases were intended to balance the Water Fund and pay any previous amount due to the Sewer Fund. The initial rate increase program was abandoned following several hundred protests submitted at the rate hearing. Management is presently in the process of drafting a proposed strategy to repay the balance due as soon as possible.

NOTE 12 – Commitments and Contingencies

Contract Commitments

On June 25, 2013, the District awarded a contract for the Big Hill – Columbia Water System Interconnection Project in the amount of $681,712. The project is expected to be completed within the 2014 fiscal year.

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

There are various claims and legal actions pending against the District for which no provision has been made in the financial statements. In the opinion of the District Attorney and District Management, liabilities arising from these claims and legal actions, if any, will not be material to these financial statements.

California Sportfishing Protection Alliance

In 2013, the California Sport Fishing Protection Alliance (CSPA), an environmental organization, filed a lawsuit against the District alleging that the District violated the Clean Water Act by allowing the occurrence of multiple sanitary sewer overflows (SSO). Rather than respond in court, the District followed the advice of specialized legal counsel and negotiated a settlement agreement with CSPA. In addition to over $350,000 in cash payments made in the FYE 2013 to CSPA and their beneficiaries, the settlement requires the District to reduce SSOs through increased inspection, maintenance, repair and replacement of its sewer collection system. In the 2013/14 fiscal year, sewer system costs will increase for compliance with this agreement, and management estimates that the investments in replacement or renovation of major sections of the collection system could exponentially increase over the next five to seven years to assure that SSOs are adequately reduced. Management will closely monitor all sewer system expenses, funding reserve levels and grant opportunities; and propose sewer rates or other funding mechanisms to ensure adequate capital is available to fully fund operations.

NOTE 13 – Restatement

The District discovered during 2013 that the prior year's accounts receivable did not include a year-end accrual for services through the end of the fiscal year which have not yet been billed resulting in accounts receivable and net position being understated by $1,098,921 as of June 30, 2012. The impact on the change in net position for the year ended June 30, 2012 is minimal.

Notes to the Basic Financial Statements

NOTE 14 – New Accounting Standards

Effective January 1, 2012, the District implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This Statement provides financial reporting guidance for deferred outflows and inflows of resources, which Concepts Statement No. 4 introduced and defined those elements as consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. This Statement amends the net assets reporting requirements of Statement No. 34 by incorporating deferred inflows and outflows into the definitions of the required components of residual measure and by renaming that measure as net position, rather than net assets. The District has no deferred inflows or outflows.

Effective January 1, 2012, the District implemented GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows or inflows of resources, certain items that were previously reported as assets and liabilities. The District has no assets or liabilities that warrant reclassification.

In June 2012, the GASB approved Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement requires governments providing defined benefit pension plans to recognize their long-term obligation for pension benefits as a liability on the statement of net position and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement also requires revised and new note disclosures and required supplementary information (RSI) to be reported by employers. The implementation of this GASB Statement will have a significant impact on the District's financial statements and is effective for the District's June 30, 2015 financial statements. The District will fully analyze the impact of this new Statement prior to the effective date above.

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