

**GREENHORN CREEK
COMMUNITY SERVICES DISTRICT**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**
for the year ended June 30, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Greenhorn Creek Community
Services District
Quincy, California

We have audited the accompanying financial statements of the enterprise activities and the governmental activities of Greenhorn Creek Community Services District, as of and for the year ended June 30, 2013, as listed in the table of contents, 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the enterprise activities and governmental activities of Greenhorn Creek Community Services District as of June 30, 2013, and the results of its operations and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and State Regulations governing Special Districts.

Other-Matters

Required Supplementary Information

The Management's Discussion and Analysis is not a required part of the financial statements but is supplemental information required by the Government Auditing Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Robert W. Johnson, CPA Accounting Corporation

Citrus Heights, California
August 31, 2013

Greenhorn Creek Community Services District
Management Discussion and Analysis
Fiscal Year Ended June 30, 2013

This annual financial report consists of management's discussion and analysis and the financial statements, including notes to the financial statements. The following discussion and analysis of the Greenhorn Creek Community Services District (the "District") and its financial performance provides an overview of the District's financial activities, prepared by its management for the year ending June 30, 2013. This discussion and analysis should be read in conjunction with the District financial statements and accompanying notes, which follow this section.

Background

The Greenhorn Creek Community Services District ("CSD") is located east of Quincy, California in Plumas County and is a special district operating under the Community Services District Law of the State of California. The CSD was formed in 1971 to provide water to the western portion of the Greenhorn Creek housing development known as Greenhorn 2.

In 1975, the CSD was consolidated with the Estray Creek Community Services District. The consolidation empowered the CSD to provide domestic water for fire protection and to collect, treat, and dispose of sewage.

In 1989, Greenhorn Creek Volunteer Fire Department was formed, and in 1995 the fire department became part of the CSD. The CSD took over the responsibilities of the Greenhorn Ranch Company in 1995 and began providing water to the east side of the development, known as Greenhorn 1, as well as the Greenhorn Guest Ranch.

In 2003, the citizens of Greenhorn Creek voted to become an independent special district with a directly elected five-member Board of Directors. In December of 2007 this was accomplished and the District now functions as an independent special district.

Financial Highlights

- Total net assets were \$968,189 at June 30, 2013 with \$70,290 of the net assets in the Fire Department and \$897,899 in the Water Enterprise Fund. The Fire Department total net assets increased \$14,545. The Water Department increased net assets by \$351,927 due to the completion of the ARRA which had a forgivable loan.
- Total cash and investments were \$228,047 at June 30, 2013 that included a Debt Service Reserve of \$21,556. The Debt Service Reserve account is used to accumulate the monthly debt service payments from customers and to set aside the required USDA reserve of one full year's annual loan repayment. Of the cash total, 47,351 is the cash balance for the Fire Department and 180,696 is the cash balance for the Water Fund.
- At fiscal year ending June 30, 2013 the District had a USDA loan for the Phase II water tank project with a current balance of \$218,226.

Water Enterprise Fund

Rates and charges

The rates are \$50.00 per month for water operations and \$9.20 per month to help fund the cost of the new water tank. The District now has one hundred and thirty seven (137) residential connections and two (2) commercial connections. The District installed meters and has been reading meters over the last year for historical information in order to do a rate study. The rate study will need to be completed in order to determine a base rate and consumption charges going forward.

Water Standby Fee

The water department receives revenue from the Water Standby Fee paid by unimproved lot owners. The fee of \$80.00 per lot pays the unimproved lot owners share of the operating expense.

Facility and Connection Fees

The Water Department collects \$4,320.00 per new connection as a Facility Fee. This fee is the new users share of the cost of new infrastructure. A \$400.00 connection fee is charged for all new connections. This fee covers the cost of labor to meet with contractors, inspect the work and input the new account data.

Projects

Phase I, repair of existing infrastructure, replacement of existing controls and installation of water meters, was finalized in the 2012/2013 fiscal year. This project qualified for ARRA funding of \$374,219. This amount is considered a loan with subsidization in the form of 100% debt forgiveness.

Phase II, installation of a new water storage tank, pressure reducing valve and a well pump was completed in the 2011-2012 fiscal year. A \$250,000 loan was secured from the United States Department of Agriculture (USDA) to fund the project. At fiscal year ending June 30, 2013 the District had a balance of \$218,226. The loan has an interest rate of 4.25% and payments are due annually in December. This is the only debt for the District

Health Department

The District continues to have excellent water quality. The water is clean and safe to drink. The water is treated with a small amount of Chlorine as a disinfectant. The water is disinfected as a precautionary measure. The water is tested monthly for bacteria by a laboratory and chlorine samples are taken daily.

Summary of Financial Position and Changes in Net Assets – Water Enterprise Fund
For years ending 6-30-13 and 6-30-12

	2013	2012
Assets		
Investment in Capital Assets net	\$ 914,540	\$ 942,504
Cash and Investments	\$ 180,696	\$ 179,563
Other current Assets	\$ 28,344	\$ 24,301
Total Assets	<u>\$ 1,123,580</u>	<u>\$ 1,146,368</u>
Liabilities and Net Position		
Other Current Liabilities	\$ 11,285	\$ 382,170
Long-term debt	\$ 214,396	\$ 218,226
Total Liabilities	<u>\$ 225,681</u>	<u>\$ 600,396</u>
Net Position		
Investment in Capital Assets, net	\$ 696,314	\$ 715,560
Restricted	\$ 21,556	\$ 64,534
Unrestricted	\$ 180,029	\$ (234,122)
Total Net Position	<u>\$ 897,899</u>	<u>\$ 545,972</u>
Total Liabilities and Net Position	<u>\$ 1,123,580</u>	<u>\$ 1,146,368</u>
Revenue, Expenses and Changes in Net Position		
Operating Revenue	\$ 124,003	\$ 125,469
Operating Expenses	\$ (135,216)	\$ (118,085)
Operating Income	\$ (11,213)	\$ 7,384
Non-operating Income	\$ 268	\$ 532
Non-operating Expense	\$ (4,387)	\$ (13,202)
Capital Contributions	\$ 367,259	
Change in Net Position	<u>\$ 351,927</u>	<u>\$ (5,286)</u>
Net Position, Beginning	\$ 545,972	\$ 551,258
Net Position, Ending	<u>\$ 897,899</u>	<u>\$ 545,972</u>

Greenhorn Creek Volunteer Fire Department

The Fire Department is funded through a combination of property tax and assessments and is currently the only Governmental Fund of the District. A charge of \$50.00 per year for improved lots and \$35.00 per year for unimproved lots funds a portion of the Fire Departments Operating costs. The CSD has provided funding in the past by dedicating the CSD share of property taxes to the Fire Department. This is reviewed annually and a decision is made during the budget process. In 2012-2013 the majority of property tax revenue was used in the Fire Department that resulted in an increase in Fund Balance for the Fire Department.

Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance – Fire Department For years ending 6-30-13 and 6-30-12

	2013	2012
Assets		
Cash and Investments	\$ 47,350	\$ 33,368
Other current Assets	\$ 3,337	\$ 2,470
Total Assets	<u>\$ 50,687</u>	<u>\$ 35,838</u>
Liabilities and Fund Balance		
Other Current Liabilities	\$ 443	\$ 139
Total Liabilities	<u>\$ 443</u>	<u>\$ 139</u>
Fund Balance		
Unassigned Fund Balance	\$ 50,244	\$ 35,699
Total Fund Balance	<u>\$ 50,244</u>	<u>\$ 35,699</u>
Total Liabilities and Fund Balance	<u>\$ 50,687</u>	<u>\$ 35,838</u>
Revenue, Expenses and Changes Fund Balance		
Operating Revenue	\$ 26,656	\$ 25,794
Operating Expenses	\$ (12,111)	\$ (10,637)
Operating Income	\$ 14,545	\$ 15,157
Change in Fund Balance	\$ 14,545	\$ 15,157
Beginning Fund Balance	\$ 35,699	\$ 20,542
Ending Fund Balance	<u>\$ 50,244</u>	<u>\$ 35,699</u>

Economic Factors, Budgeting and Future considerations

While property tax is just a part of the overall revenue for the District there is concern in the current economic downturn regarding property values. The Community Services District Board has adopted a budget for 2013-2014 that uses property taxes in the Water Department for the specific purpose of a hydrant project. The Board has accumulated equipment reserves for the Fire Department over the last few years and felt that this year the hydrant project is a necessary use of the property tax. The uncertain State and Federal budgets are also closely followed as they relate to future grant and loan funding. The District has been fortunate to obtain both a USDA loan and ARRA funding for needed projects. The ARRA funding included money for installation of water meters, which is a positive step for the Water Enterprise fund. This gives the District the ability to charge customers for their own water usage and to promote water conservation. As stated earlier, meter reads have been done for historical information and it is now time to complete a rate study. The intent is for this to be completed in the 2013-2014 fiscal year.

Like many Districts, the effects of the economy and foreclosures have been evident. Collection efforts on past due accounts continue to be reviewed. The Board passed a collections policy in 2010-2011 that included guidelines and steps to be taken in collections. The installation of water meters has given the District an enforcement measure.

The District continues to have the responsibility for the roads through a management agreement with the Road Associations. In 2012-2013 an application was filed with LAFCo to provide these services directly with the goal for the future to disband the Road Associations. Due to a few protests the procedure of a protest letter was sent out to all registered voters and landowners. Approximately 10% of protest letters were returned which was below the amount needed to stop the CSD from obtaining the ability to add the roads to its services. It was believed that consolidation of the Roads with the CSD would provide the best benefit to the community for the future. At this time the process has been halted in order to get additional input from the entire community.

The 2013-2014 budget does not reflect a Cost of Living Index increase for employees. Since the District does not have full time employees there are no liabilities for benefits.

The District will maintain a watchful eye over expenditures and remain committed to sound fiscal management practices to deliver the highest quality service.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the financial activity and condition of the Greenhorn Creek Community Services District to all having such an interest in the District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Greenhorn Creek Community Services District
P O Box 346
Quincy, CA 95971
Ph: (530) 283-9670

GREENHORN CREEK COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
June 30, 2013

	<u>Governmental Fund</u>	<u>Enterprise Fund</u>			
	Fire	Water			
ASSETS	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>	<u> </u>	<u>Total</u>
Current assets:					
Cash and investments (Note 3)	\$ 47,350	\$ -	\$ 47,350	\$ 159,140	\$ 206,490
Accounts receivable	3,337	-	3,337	27,301	30,638
Prepaid expense	<u> </u>	<u> </u>	<u> </u>	<u>1,043</u>	<u>1,043</u>
Total current assets	<u>50,687</u>	<u>-</u>	<u>50,687</u>	<u>187,484</u>	<u>238,171</u>
Capital assets, at cost (Notes 5 and 10):	-	369,399	369,399	1,037,360	1,406,759
Less accumulated depreciation	<u> </u>	<u>349,353</u>	<u>349,353</u>	<u>122,820</u>	<u>472,173</u>
	<u> </u>	20,046	20,046	914,540	934,586
Work in progress	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	20,046	20,046	914,540	934,586
Restricted cash (Note 4)	<u> </u>	<u> </u>	<u> </u>	21,556	21,556
	<u>\$ 50,687</u>	<u>\$ 20,046</u>	<u>\$ 70,733</u>	<u>\$1,123,580</u>	<u>\$1,194,313</u>

See notes to financial statements

LIABILITIES	Governmental Fund Fire		Statement of Net Position	Enterprise Fund Water	Total
	General Fund	Adjustments			
Current liabilities:					
Current portion ~					
LT debt (Note 7)	\$ -	\$ -	\$ -	\$ 3,830	\$ 3,830
Accounts payable	443	-	443	2,223	2,666
Accrued payroll liabilities	-	-	-	1,758	1,758
Payable - Road Associations (Note 6)	-	-	-	3,474	3,474
Total current liabilities	<u>443</u>	<u>-</u>	<u>443</u>	<u>11,285</u>	<u>11,728</u>
Long-term debt, net (Note 7)	<u>-</u>	<u>-</u>	<u>-</u>	<u>214,396</u>	<u>214,396</u>
Fund balance/net position					
Fund balances (Note 8):					
Restricted	-	-	-		
Unassigned	<u>50,244</u>	<u>(50,244)</u>	<u>-</u>		
Total fund balances	<u>50,244</u>	<u>(50,244)</u>	<u>-</u>		
Total liabilities and fund balances	<u>\$ 50,687</u>				
Net position (Note 8):					
Net investment in capital assets		20,046	20,046	696,314	716,360
Restricted		-	-	21,556	21,556
Unrestricted		<u>50,244</u>	<u>50,244</u>	<u>180,029</u>	<u>230,273</u>
Total net position		<u>70,290</u>	<u>70,290</u>	<u>897,899</u>	<u>968,189</u>
		<u>\$ 20,046</u>	<u>\$ 70,733</u>	<u>\$1,123,580</u>	<u>\$1,194,313</u>

GREENHORN CREEK COMMUNITY SERVICES DISTRICT
 STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
 for the year ended June 30, 2013

<u>Functions/Programs</u>	<u>Program Revenues</u>		
Primary government:	<u>Expenses</u>	<u>Charges for Services</u>	<u>Grants and Contributions</u>
Governmental activities:			
Fire	\$ <u>13,489</u>	\$ <u>15,774</u>	\$ <u>-</u>
Total governmental activities	<u>13,489</u>	<u>15,774</u>	<u>-</u>
Business-type activities:			
Water	<u>139,603</u>	<u>124,003</u>	<u>-</u>
Total business-type activities	<u>139,603</u>	<u>124,003</u>	<u>-</u>
Total primary government	<u>\$ 153,092</u>	<u>\$ 139,777</u>	<u>\$ -</u>

General revenues:
 Property taxes
 Other
 Capital contributions

Total general revenues

Changes in net position

Net position – beginning

Net position – ending

See notes to financial statements

Net (Expense) Revenue and Changes in Net Position

Primary Government

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ <u>2,285</u>		\$ <u>2,285</u>
<u>2,285</u>		<u>2,285</u>
<u>-</u>	<u>\$(15,600)</u>	<u>(15,600)</u>
<u>-</u>	<u>(15,600)</u>	<u>(15,600)</u>
<u>2,285</u>	<u>(15,600)</u>	<u>(13,315)</u>
10,611	-	10,611
271	268	539
<u>-</u>	<u>367,259</u>	<u>367,259</u>
<u>10,882</u>	<u>367,527</u>	<u>378,409</u>
13,167	351,927	365,094
<u>57,123</u>	<u>545,972</u>	<u>603,095</u>
<u>\$ 70,290</u>	<u>\$ 897,899</u>	<u>\$ 968,189</u>

GREENHORN CREEK COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
ENTERPRISE FUND
for the year ended June 30, 2013

Operating revenues:		
Water sales		\$ 85,376
Standby assessments		20,015
Debt service fees		15,291
Facility fees		-
Other		<u>3,321</u>
Total operating revenues		124,003
Operating expenses:		
Pumping	\$ 17,522	
Transmission and distribution	23,686	
Treatment	13,723	
Customer accounts	7,235	
Administration and general	40,980	
Depreciation	<u>32,070</u>	
Total operating expenses		<u>135,216</u>
Operating income		(11,213)
Non-operating revenues (expenses):		
Interest expense	(4,387)	
Interest income	268	
Property taxes	<u>-</u>	
Income (loss) before contributions		<u>(4,119)</u> (15,332)
Capital contributions – Forgiveness of principal funds (Note 10)		<u>367,259</u>
Changes in net position		351,927
Total position:		
Beginning		<u>545,972</u>
Ending		<u>\$ 897,899</u>

See notes to financial statements

GREENHORN CREEK COMMUNITY SERVICES DISTRICT
 STATEMENT OF CASH FLOWS – ENTERPRISE FUND
 for the year ended June 30, 2013

Cash flows from operating activities:		
Receipts from customers		\$ 119,934
Payments to suppliers		(53,156)
Payment to employees		<u>(55,387)</u>
Net cash provided by operating activities		11,391
Cash flows from noncapital financing activities:		
Receipts from property taxes and other nonoperating income	\$ -	
Non-operating expenses	<u>-</u>	
Cash flows from capital and related financing activities:		
Construction costs paid	(4,106)	
Principal paid on capital debt	(8,718)	
Interest paid on capital debt	(4,387)	
Capital contributions	<u>6,685</u>	(10,526)
Cash flows from investing activities:		
Interest income		<u>268</u>
Net increase in cash and cash equivalents		1,133
Cash at beginning of year		<u>179,563</u>
Cash at end of year		<u>\$ 180,696</u>

See notes to financial statements

GREENHORN CREEK COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS – ENTERPRISE FUND, continued
for the year ended June 30, 2013

Reconciliation of operating income (loss) to net cash provided by operating activities:		
Loss		\$(11,213)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	\$ 32,070	
Changes in operating assets and liabilities:		
Receivables	(4,069)	
Prepays	26	
Accounts payable	(7,181)	
Accrued liabilities	<u>1,758</u>	
		<u>22,604</u>
Net cash provided by operating activities		<u>\$ 11,391</u>

See notes to financial statements

GREENHORN CREEK COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
FIRE DEPARTMENT
for the year ended June 30, 2013

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Program expenditures/expenses:			
Public protection	\$ 9,083	\$ -	\$ 9,083
Support services	3,028	-	3,028
Capital outlay	-	-	-
Depreciation	<u>-</u>	<u>1,378</u>	<u>1,378</u>
Total program expenditures/ expenses	<u>12,111</u>	<u>1,378</u>	<u>13,489</u>
Program revenues:			
Charges for services	-	-	-
Assessments	<u>15,774</u>	<u>-</u>	<u>15,774</u>
	<u>15,774</u>	<u>-</u>	<u>15,774</u>
General revenues:			
Property taxes	10,611	-	10,611
Other	<u>271</u>	<u>-</u>	<u>271</u>
	<u>10,882</u>	<u>-</u>	<u>10,882</u>
Excess revenues (expenditures)/ changes in net position	14,545	(1,378)	13,167
Beginning fund balances/ net position	<u>35,699</u>	<u>21,424</u>	<u>57,123</u>
Ending fund balances/ net position	<u>\$ 50,244</u>	<u>\$ 20,046</u>	<u>\$ 70,290</u>

See notes to financial statements

GREENHORN CREEK COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FIRE DEPARTMENT
for the year ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Favorable/ (Unfavorable) Variance</u>
Revenues:			
Property taxes	\$ 10,795	\$ 10,611	\$(184)
Assessments	14,000	15,774	1,774
Other	<u>-</u>	<u>271</u>	<u>271</u>
	<u>24,795</u>	<u>26,656</u>	<u>1,861</u>
Expenditures:			
Administration	-	-	-
Fuel	500	490	10
WC	4,000	1,640	2,360
Insurance	4,500	2,211	2,289
Dues and subscriptions	25	2,873	(2,848)
Office expenses	100	19	81
Professional fees	500	140	360
Repairs and maintenance	2,100	1,198	902
Small tools	100	-	100
Travel	-	66	(66)
Telephone	300	317	(17)
Utilities	3,600	3,028	572
Payroll expenses	-	34	(34)
Supplies	900	-	900
Training	1,500	70	1,430
Miscellaneous	<u>-</u>	<u>25</u>	<u>(25)</u>
	<u>18,125</u>	<u>12,111</u>	<u>6,014</u>
Excess of revenues (expenditures)	<u>\$ 6,670</u>	<u>\$ 14,545</u>	<u>\$ 7,875</u>

See notes to financial statements

GREENHORN CREEK COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. Organization:

Greenhorn Creek Community Services District (the "District") was formed in 1971 and provides water and fire protection services to residents of the District. The District's financial and administrative functions are governed by a five member Board of Directors elected by the voting population within the District. The District's mission is to provide safe, affordable and reliable drinking water and responsive fire service.

2. Summary of Significant Accounting Policies:

The basic financial statements of Greenhorn Creek Community Services District have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Fund Accounting

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

Enterprise Funds

The Enterprise Fund is used to account for water operations that are financed and operated in a manner similar to private business enterprises. The intent of the District is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

GREENHORN CREEK COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies, continued:

Governmental Fund

The governmental fund is used to account for all financial resources of the fire department. This fund is also used to establish accounting control and accountability for fixed assets of the aforementioned activity.

Fixed Assets

Fixed assets are stated at cost or estimated historical cost.

Depreciation of those assets is computed by the use of the straight-line method over the estimated useful lives.

Maintenance, repairs and renewals of a minor nature are charged to expense as incurred. Major repairs or renewals and betterments which extend the useful life are capitalized. Upon sale or retirement, cost and accumulated depreciation are eliminated from the accounts and any gain or loss on disposal is included in the statement of income and changes in retained earnings.

Basis of Accounting

The basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All government funds are accounted for using the current financial resources measurement focus. Under this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) as changes in net current assets.

Governmental funds are maintained on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period they become measurable and available. The District considers revenues as available if they are collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues considered susceptible to accrual include property taxes, interest and certain other intergovernmental revenues. Expenditures are recognized in the accounting period in which the liability is incurred.

GREENHORN CREEK COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies, continued:

Basis of Accounting, continued

Proprietary funds are maintained on the accrual basis of accounting wherein revenues are recognized in the period earned and expenses are recognized in the period incurred. Under this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) as changes in net total assets.

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead; other expenses are nonoperating.

Statement of Cash Flows

All highly liquid investments with a maturity of three months or less when purchased, are considered to be cash equivalents.

Investments

Investments consist of deposits with Bank of America. Such investment is within the State statutes and the District's investment policy.

Budget and Budgetary Accounting

The Board of Directors annually adopts an operating budget. The operating budgets are prepared on the accrual basis.

GREENHORN CREEK COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies, continued:

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Property Taxes

The District receives property taxes from Plumas County. Property taxes receivable are recorded in the fiscal year for which the tax is levied based on the assessed value as of September 1 of the preceding fiscal year. They become a lien on the first day of the year they are levied. Secured property tax is levied on September 1 and due in two installments, on November 1 and March 1. They become delinquent on December 10 and April 10, respectively. Unsecured property taxes are due on July 1, and become delinquent on August 31. The District elected to receive the property taxes from the County under the Teeter Bill Program. Under this Program, the District receives 100% of the levied property taxes in periodic payments, with the County assuming responsibility for delinquencies.

3. Cash and Investments:

At year-end the carrying amount of the District's deposits in the bank was \$228,046 and the bank balance was \$228,972. The bank balance was covered by Federal depository insurance and collateral held in the pledging bank's trust department as mandated by state law.

	Balance, June 30, 2013
Cash in checking	\$ 81,480
Cash in savings	14,465
Certificate of deposit	<u>132,101</u>
	<u>\$ 228,046</u>

GREENHORN CREEK COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

3. Cash and Investments, continued:

Allocated:

Operations	\$ 206,490
Restricted	<u>21,556</u>
	<u>\$ 228,046</u>

4. Restricted Cash:

Debt service fee reserve	\$ <u>21,556</u>
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5. Capital Assets:

Changes in enterprise capital assets for the year ended June 30, 2013 are as follows:

<u>Water</u>	<u>Balance</u> <u>6/30/2012</u>	<u>Additions/</u> <u>Transfers</u>	<u>Disposals</u>	<u>Balance</u> <u>6/30/2013</u>
Land	\$ 164,000	\$ -	\$ -	\$ 164,000
Source of supply	1,404	-	-	1,404
Transmission and distribution	<u>501,992</u>	<u>369,964</u>	<u>-</u>	<u>871,956</u>
	<u>\$ 667,396</u>	<u>\$ 369,964</u>	<u>\$ -</u>	<u>\$1,037,360</u>

GREENHORN CREEK COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

5. Capital Assets, continued:

<u>Work in Progress</u>	<u>Balance</u> <u>6/30/2012</u>	<u>Additions</u>	<u>Transfers</u>	<u>Balance</u> <u>6/30/2013</u>
Phase I-water meters	\$ <u>365,858</u>	\$ <u>4,106</u>	\$ <u>369,964</u>	\$ <u>-</u>

Changes in governmental capital assets for the year ended June 30, 2013 are as follows:

<u>Fire</u>	<u>Balance</u> <u>6/30/2012</u>	<u>Additions/</u> <u>Transfers</u>	<u>Disposals</u>	<u>Balance</u> <u>6/30/2013</u>
Land	\$ 9,000	\$ -	\$ -	\$ 9,000
Buildings	50,000	-	-	50,000
Equipment	<u>310,399</u>	<u>-</u>	<u>-</u>	<u>310,399</u>
	<u>\$ 369,399</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 369,399</u>

GREENHORN CREEK COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

6. Road Maintenance Agreement:

In December, 2008 the District signed a contract with Greenhorn Unit 1 Road Association ("Unit 1") and Greenhorn Unit 2 Road Association ("Unit 2") to provide road maintenance and snowplowing for these two respective units.

The contract stipulates that the District will administer all aspects of road maintenance and related administration for the two Road Associations.

Financial activities for 12-13 consist of:

	<u>Unit 1</u>	<u>Unit 2</u>
Road contracts	\$(20,795)	\$(40,177)
Disbursements:		
Repairs and maintenance:		
Bldgs and roads	4,493	2,263
Snow removal	-	-
Equipment	4,588	4,591
Insurance	1,489	3,620
Professional fees	3,827	21,713
LAFCO fees	2,125	2,125
Payroll expenses	7,989	7,867
Other	<u>505</u>	<u>1,411</u>
	<u>25,016</u>	<u>43,590</u>
Subtotal	4,221	3,413
Add, carry over, prior year	<u>(4,922)</u>	<u>(6,186)</u>
Balance receivable (payable)	\$(<u>701</u>)	\$(<u>2,773</u>)
Total payable		\$(<u>3,474</u>)

GREENHORN CREEK COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

7. Long-Term Debt:

The following is a summary of the long-term debt activities for the year ended June 30, 2013:

	<u>Balance</u> <u>6/30/2012</u>	<u>New Debt</u> <u>Issued</u>	<u>Debt</u> <u>Retired</u>	<u>Balance</u> <u>6/30/2013</u>	<u>Current</u> <u>Portion</u>
USDA loan	\$ <u>226,944</u>	\$ <u>-</u>	\$ <u>8,718</u>	\$ <u>218,226</u>	\$ <u>3,830</u>

USDA Loan

In 2009, the District entered into a loan for \$250,000 with the United States Department of Agriculture (USDA). The purpose of this loan is to install a new water tank.

As of June 30, 2012, the District has drawn \$250,000 of loan funds. The project complete at June 30, 2012. The annual loan payment of \$13,105 has a term of 40 years which bears interest at 4.25% per annum. Payment of this loan began in December 2010.

The future annual maturities of all long-term borrowing as of June 30, 2013 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 3,830	\$ 9,275	\$ 13,105
2015	3,993	9,112	13,105
2016	4,163	8,942	13,105
2017	4,340	8,765	13,105
2018	4,524	8,581	13,105
2019-2023	25,674	39,851	65,525
2024-2028	31,614	33,911	65,525
2029-2033	38,928	26,597	65,525
2034-2038	47,934	17,591	65,525
2039-2043	<u>53,226</u>	<u>6,502</u>	<u>59,728</u>
	<u>\$ 218,226</u>	<u>\$ 169,127</u>	<u>\$ 387,353</u>

GREENHORN CREEK COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

8. Net Position/Fund Balance:

Net position at June 30, 2013 is analyzed as follows:

	<u>Governmental</u> <u>Fund</u>	<u>Enterprise</u> <u>Fund</u>	<u>Total</u>
Net investment in capital assets	\$ <u>20,046</u>	\$ <u>696,314</u>	\$ <u>716,360</u>
Restricted:			
Debt service fcc reserve	<u>-</u>	<u>21,556</u>	<u>21,556</u>
Unrestricted:			
Designated by Board:			
Short lived asset reserve	-	45,218	45,218
Undesignated	<u>50,244</u>	<u>134,811</u>	<u>185,055</u>
	<u>50,244</u>	<u>180,029</u>	<u>230,273</u>
Total net position	\$ <u><u>70,290</u></u>	\$ <u><u>897,899</u></u>	\$ <u><u>968,189</u></u>
General fund (Fire):			
Total fund balances consists of:			
Restricted:	\$ -		
Unassigned:	<u>50,244</u>		
	<u>\$ 50,244</u>		

GREENHORN CREEK COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

9. Risk of Loss:

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; and injuries to employees. During the 2013 fiscal year, the District purchased certain commercial insurance coverages to provide for these risks.

10. Construction Projects:

Phase I

The purpose of the project is to replace the pressure reducing valves, install air vacuum releases, replace control systems, replace well-house piping, and install water meters. The total cost of the project was estimated at \$400,000.

In September 2009, a funding agreement between the District and California Department of Public Health and the American Recovery and Reinvestment Act of 2009 was signed for a loan with subsidization in the form of 100% of forgiveness in principal in the amount of \$374,219.

The project was completed in 2012 for a final cost of \$369,964. The District recognized capital contributions of \$367,259 in forgiveness of principal funds.

11. Subsequent Events:

Management has evaluated subsequent events through August 31, 2013, the date these June 30, 2013 financial statements were available to be issued.

GREENHORN CREEK COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

12. LAFCO Application:

In 2012 the District Board of Directors passed Resolution 2012-7468 to request authorization from the Local Agency Formation Commission of Plumas County (LAFCO) to provide road maintenance services.

On January 8, 2009 the District entered into a Road Maintenance Agreement with Greenhorn Unit 1 and Unit 2 Road Associations whereby the District agreed to perform the Associations' road maintenance functions and it has been doing so since that date.

The LAFCO approval process has been completed. The next step to combine services would be an engineering study to determine assessments followed by the Prop 218 process to see if residents want to proceed.

Advantages of this consolidation would include:

- reducing duplicated administrative costs (insurance, worker's comp., accounting, etc.)
- having one Board of Directors reduces the effort to recruit members for three Boards.

Total LAFCO costs paid by the Road Associations to date were \$4,250 (application fee of \$2,750 + an additional \$1,500 because of protests). Each Association paid \$2,125.

SUPPLEMENTAL DATA

GREENHORN CREEK COMMUNITY SERVICES DISTRICT
PRINCIPAL OFFICIALS

Board of Directors:

Marlyn Jordan	President/Chair
Jeff Wilson	Vice President
Candy Miller	Secretary

Operations:

Roy Carter	General Manager and Acting Fire Chief
Susan Scarlett	Finance Officer

**GREENHORN CREEK
COMMUNITY SERVICES DISTRICT**

**REPORT ON ACCOUNTING CONTROLS
AND PROCEDURES**

June 30, 2013

**ROBERT
W.
JOHNSON**
An Accountancy Corporation
Certified Public Accountant

6234 BIRDCAGE STREET • CITRUS HEIGHTS, CA 95610-5949 • (916) 723-2555

August 31, 2013

To the Board of Directors
Greenhorn Creek Community Services District
Quincy, California

We have audited the financial statements of Greenhorn Creek Community Services District as of and for the year ended June 30, 2013. 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.

In planning and performing our audit of the financial statements of Greenhorn Creek Community Services District as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered Greenhorn Creek Community Services District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures but not for the purpose of expressing our opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.


A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we have enclosed other recommendations for your consideration.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We have no significant deficiencies to report.

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

Sincerely,

A handwritten signature in black ink that reads "Robert W. Johnson, An Accountancy Corporation". The signature is written in a cursive style with a large, prominent initial 'R'.

Robert W. Johnson, An Accountancy Corporation

1. Financial Analysis – Water Utility:

	<u>2012</u>	<u>2013</u>	<u>Increase (Decrease)</u>
Operating revenues	\$ 125,469	\$ 124,003	\$(1,466)
Operating expenses	<u>118,085</u>	<u>135,216</u>	<u>(17,131)</u>
Operating income (loss)	7,384	(11,213)	(18,597)
Non-operating revenues (expenses)	<u>(12,670)</u>	<u>(4,119)</u>	<u>8,551</u>
Income (loss) before capital contributions	<u>(5,286)</u>	<u>(15,332)</u>	<u>(10,046)</u>
Capital contributions	<u>-</u>	<u>367,259</u>	<u>367,259</u>
Net income (loss)	<u>\$(5,286)</u>	<u>\$ 351,927</u>	<u>\$ 357,213</u>
Cash	<u>\$ 179,563</u>	<u>\$ 180,696</u>	<u>\$ 1,133</u>

Observations:

- 2013 operating results similar to 2012 (\$15,000 loss vs. \$5,000).
- positive result: cash increased \$1,133
- operating expenses remained fairly constant; the \$17,131 increase is largely due to an increase in depreciation