

GRIZZLY FLATS
COMMUNITY SERVICES DISTRICT

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
for the year ended June 30, 2011

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An Accountancy Corporation
Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Grizzly Flats Community Services District
Grizzly Flats, California

We have audited the accompanying financial statements of Grizzly Flats Community Services District as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the District's management. 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. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Grizzly Flats Community Services District as of June 30, 2011 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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. Management has elected to omit the Management's Discussion and Analysis.

The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Grizzly Flats Community Services District. Such information has been subjected to the auditing procedures applied in the audit of the basic 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, An Accountancy Corporation

Citrus Heights, California

August 31, 2011

**GRIZZLY FLATS COMMUNITY SERVICES DISTRICT
BALANCE SHEET**

June 30, 2011

ASSETS

Current assets:

Cash and investments (Note 3)	\$ 177,604
Accounts receivable - customers	50,052
Prepaid insurance	<u>11,967</u>
Total current assets	239,623

Capital assets, at cost (Notes 4 and 5):

	\$2,329,143
Less, accumulated depreciation	<u>1,227,210</u>
	1,101,933

Work in progress

370,912

1,472,845

Restricted cash and investments (Note 3)

454,152

\$2,166,620

See notes to financial statements

LIABILITIES AND NET ASSETS

Current liabilities:

Current portion of long-term debt (Note 5)	\$ 11,668
Accounts payable	15,091
Accrued benefits payable	32,762
Compensated absences	<u>12,803</u>

Total current liabilities 72,324

Long-term liabilities, net of current portion (Note 5) 168,456

Total liabilities 240,780

Net assets (Note 7):

Invested in capital assets, net of related debt	\$1,292,721	
Restricted	454,152	
Unrestricted	<u>178,967</u>	
		<u>1,925,840</u>

\$2,166,620

GRIZZLY FLATS COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
for the year ended June 30, 2011

Operating revenues:		
Water sales		\$ 405,466
New connection fees		-
Water user penalties		28,190
Other		<u>10,271</u>
Total operating revenues		443,927
Operating expenses:		
Source of supply	\$ 45,063	
Treatment	73,656	
Transmission and distribution	125,790	
Administrative	134,002	
Depreciation	<u>54,317</u>	
Total operating expenses		<u>432,828</u>
Operating income		11,099
Non-operating revenue (expense):		
Interest income	2,918	
Interest expense	(5,270)	
Standby fees	56,664	
Standby penalties	<u>1,508</u>	
		<u>55,820</u>
Change in net assets		66,919
Total net assets:		
Beginning		<u>1,858,921</u>
Ending		<u>\$1,925,840</u>

See notes to financial statements

GRIZZLY FLATS COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS
for the year ended June 30, 2011

Cash flows from operating activities:		
Receipts from customers		\$ 440,084
Payments to suppliers		(178,293)
Payments to employees		<u>(206,405)</u>
Net cash provided by operating activities		55,386
Cash flows from capital and related financing activities:		
Additions – capital assets	\$(134,895)	
Principal paid on capital debt	(11,349)	
Interest paid on capital debt	<u>(5,270)</u>	
		(151,514)
Cash flows from investing activities:		
Interest income	2,918	
Standby fees and penalties	<u>58,172</u>	<u>61,090</u>
Net decrease in cash and cash equivalents		(35,038)
Cash and cash equivalents:		
Beginning of year		<u>666,794</u>
End of year		<u>\$ 631,756</u>

See notes to financial statements

GRIZZLY FLATS COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS, continued
for the year ended June 30, 2011

Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income		\$ 11,099
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	\$ 54,317	
Changes in operating assets and liabilities:		
Receivables	(3,843)	
Prepaid expense	(10,540)	
Accounts payable and accrued charges	<u>4,353</u>	
		<u>44,287</u>
Net cash provided by operating activities		\$ <u>55,386</u>
Supplementary information:		
Cash paid for interest		\$ <u>5,270</u>

See notes to financial statements

**GRIZZLY FLATS COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS**

1. Organization:

Grizzly Flats Community Services District (the "District") was formed in October, 1987. The water system, known as the Grizzly Park Water Company, was transferred by Thomas and Peggy Porter to the District effective August 15, 1988. The District is governed by a Board of Directors which is elected by residents of the District.

2. Summary of Significant Accounting Policies:

The accounting policies of Grizzly Flats Community Services District conform to generally accepted accounting principles applicable to enterprise funds. The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Fund Accounting

The District is an enterprise fund. All operations are accounted for as an enterprise fund.

Enterprise Fund – 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.

Basis of Accounting

The basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The District's books and accounts are based upon the Uniform System of Accounts for Public Utilities as prescribed by the Division of Local Government Fiscal Affairs of the State of California. The records are maintained and the accompanying financial statements are presented on the accrual basis of accounting.

GRIZZLY FLATS COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies, continued:

Basis of Accounting, continued

Operating revenues and expenses, such as water sales along with water expenses, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses. Non-operating revenues and expenses, such as grant funding, investment income and interest expense, result from non-exchange transactions, in which, the District gives (receives) value without directly receiving (giving) value in exchange.

Depreciation

Capital assets are recorded on the basis of purchase cost. Assets acquired by contribution are recorded at estimated cost or fair market value at the date of acquisition.

Depreciation is calculated by the straight-line method over the estimated useful lives of the related assets.

Cash and Investments

The District has instructed the County of El Dorado to invest excess funds on deposit in their overall pooling of investment.

All cash deposits at the County conform to the California Government Code section 53646 and are fully collateralized by governmental securities pledged for the purpose of Public Deposit Collateral.

Statement of Cash Flows

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

GRIZZLY FLATS COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies, continued:

Compensated Absences

Vested or accumulated vacation and comp. time that is expected to be liquidated with expendable available financial resources are reported as an expense and as a current liability.

Budget and Budgetary Accounting

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

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.

3. Cash and Investments:

Cash and investments consist of the following at June 30, 2011:

	<u>Unrestricted</u>	<u>Restricted</u>
Imprest cash	\$ 100	\$ -
Checking accounts	36,056	-
LAIF	141,448	434,553
Cash with County:		
Capital projects	-	2,882
Reserve Fund	-	16,717
	<u>\$ 177,604</u>	<u>\$ 454,152</u>

GRIZZLY FLATS COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

4. Capital Assets:

Changes in capital assets for the year ended June 30, 2011 are as follows:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2011</u>
Land	\$ 237,330	\$ 75	\$ -	\$ 237,405
Water plant	1,904,677	-	7,752	1,912,429
Equipment	124,031	17,933	-	141,964
Vehicles	<u>37,345</u>	<u>-</u>	<u>-</u>	<u>37,345</u>
	<u>\$2,303,383</u>	<u>\$ 18,008</u>	<u>\$ 7,752</u>	<u>\$2,329,143</u>
 Work in progress	 <u>\$ 261,777</u>	 <u>\$ 116,887</u>	 <u>\$ (7,752)</u>	 <u>\$ 370,912</u>

5. Long-term Debt:

The following is a summary of the long-term debt activities for the year ended June 30, 2011:

	<u>2010</u>	<u>New Debt</u> <u>Issued</u>	<u>Debt</u> <u>Retired</u>	<u>2011</u>	<u>Current</u> <u>Portion</u>
Contract payable, California Dept. of Public Health	<u>\$ 191,473</u>	<u>\$ -</u>	<u>\$ 11,349</u>	<u>\$ 180,124</u>	<u>\$ 11,668</u>

**GRIZZLY FLATS COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued**

5. Long-term Debt, continued:

Contract payable, California Department of Water Resources (Safe Drinking Water State Revolving Fund) in semi-annual payments of \$8,309 including interest of 2.7934% through July 1, 2024.

Future annual installments consist of:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 11,668	\$ 4,951	\$ 16,619
2013	11,997	4,622	16,619
2014	12,334	4,285	16,619
2015	12,681	3,938	16,619
2016	13,038	3,581	16,619
2017-2021	70,900	12,195	83,095
2022-2024	<u>47,506</u>	<u>2,349</u>	<u>49,855</u>
	<u>\$180,124</u>	<u>\$ 35,921</u>	<u>\$216,045</u>

6. Retirement Plan:

The District offers to each employee a deferred compensation plan (tax sheltered annuity). This plan qualifies under IRC Section 457 (b) as exempt from current income taxes. The District's contribution for 2011 was \$2,715.

GRIZZLY FLATS COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

7. Net Assets:

Invested in capital assets, net		\$1,292,721
Restricted:		
Capital projects reserve	\$437,435	
State loan reserve	<u>16,717</u>	
		454,152
Unrestricted:		
Undesignated		<u>178,967</u>
		<u>\$1,925,840</u>

8. Subsequent Events:

Management has evaluated subsequent events through August 31, 2011, the date these June 30, 2011 financial statements were available to be issued.

GRIZZLY FLATS COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

9. Water System Improvement Project (WSIP):

The District has now been approved by USDA-RD for a Loan of \$952,000 and a grant of \$463,000. The grant amount has been increased by USDA due to higher costs of construction than anticipated by the Engineering Firm (Carlton Engineering). Loan documents were signed on Aug. 22, 2011 by District board members.

As of Aug. 22, 2011, the District has spent a total of \$343,201. This includes a Preliminary Engineering Report, Legal fees and Administration fees. The money spent so far will be reimbursed by the loan/grant when it is funded.

The District plans on breaking ground on this project in early September 2011. Some of the components have been pulled out of the project because of the high costs received from bidding contractors. District had to pull the rehabilitation of Treatment Plant #1, the rehabilitation of the Forest View Well, the low head raw water booster pump stations, the 10" reservoir influent flow meter, upgrades to Tyler and Winding Way tanks.

The District plans to re-bid the rehabilitation of the Treatment Plant #1 in fiscal year 2011/12 because the work will need to be done at some point.

The reservoir lining is scheduled to be completed in the early part of 2012 so all of the WSIP components are expected to be completed by December of 2012.

SUPPLEMENTAL INFORMATION

**GRIZZLY FLATS COMMUNITY SERVICES DISTRICT
PRINCIPAL OFFICIALS**

Board of Directors:

Richard Englefield

President

Andre Legrand

Vice President

Mel Kelley

Treasurer

Art Davidson

John Block

Staff:

Robert Hovland

General Manager

Jodi Lauther

Office Assistant