

GRIZZLY FLATS COMMUNITY SERVICES DISTRICT

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

GRIZZLY FLATS COMMUNITY SERVICES DISTRICT

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LARRY BAIN, CPA

An Accounting Corporation

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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 the business type activities which comprise the basic financial statements of Grizzly Flats Community Services District as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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.

Auditors' 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. 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 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 District'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 District'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 financial statement presentation.

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 financial position of the business-type activity of the Grizzly Flats Community Services District as of June 30, 2021, and the changes in financial position and the results of its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The Grizzly Flats Community Services District has not presented the Management Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements. Such information is required by the Governmental Accounting Standards Board (GASB), 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.

A handwritten signature in black ink, appearing to read "Larry Bain". The signature is fluid and cursive, with a large initial "L" and a long, sweeping underline.

Larry Bain, CPA
An Accounting Corporation

October 13, 2022

GRIZZLY FLATS COMMUNITY SERVICES DISTRICT

**STATEMENT OF NET POSITION
JUNE 30, 2021**

Current Assets	
Cash and investments	\$ 884,503
Prepaid expense	22,254
Accounts receivable	54,138
Total current assets	960,895
Noncurrent Assets	
Restricted cash	41,980
Capital assets	
Nondepreciable capital assets	
Land	237,405
Construction in progress	29,135
Depreciable capital assets	
Water plant	3,763,056
Equipment	327,315
Vehicles	68,275
Less accumulated depreciation	(1,947,482)
Total depreciable capital assets-net	2,211,164
Total capital assets (net of accumulated depreciation)	2,477,704
Total noncurrent assets	2,519,684
Total assets	3,480,579
Current Liabilities	
Accrued expenses	58,690
Accrued salary and benefits payable	60,669
Current portion of note payable	17,000
Total current liabilities	136,359
Long-Term Liabilities	
Compensated absences	14,914
Note payable	802,500
Total long-term liabilities	817,414
Total liabilities	953,773
Net Position	
Net investment in capital assets	1,658,204
Restricted for debt reserve	42,008
Unrestricted	826,594
Total net position	\$ 2,526,806

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

GRIZZLY FLATS COMMUNITY SERVICES DISTRICT

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Operating Revenue	
Water sales	\$ 558,114
Water user penalties	14,063
Other	<u>3,928</u>
Total operating revenues	<u>576,105</u>
Operating Expenses	
Water treatment	8,966
Transmission and distribution	348,579
Administration and general	247,989
Depreciation	<u>109,968</u>
Total operating expenses	<u>715,502</u>
Operating income (loss)	<u>(139,397)</u>
Nonoperating Revenue (Expenses)	
Interest income	4,424
Standby fees	57,792
Penalties on standby fees	1,199
Grant revenue	2,609
Connection fee	21,310
Interest expense	<u>(24,833)</u>
Nonoperating revenues (expenses)	<u>62,501</u>
Increase (decrease) in net position	(76,896)
Net position, beginning of fiscal year	<u>2,603,702</u>
Net Position, end of fiscal year	<u>\$ 2,526,806</u>

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

GRIZZLY FLATS COMMUNITY SERVICES DISTRICT

**STATEMENT OF CASH FLOWS
JUNE 30, 2021**

Cash Flows From Operating Activities:	
Cash receipts from customers	\$ 571,648
Cash payments to suppliers for goods and services	(325,599)
Cash payments to employees for services and benefits	<u>(267,769)</u>
Net cash provided by (used in) operating activities	<u>(21,720)</u>
Cash Flows From Noncapital and Related Financing Activities:	
Standby fees and penalties	58,991
Connection fees	<u>21,310</u>
Net cash provided by noncapital financing activities	<u>80,301</u>
Cash Flows From Capital and Related Financing Activities:	
Principal payments on long-term debt	(16,500)
Capital grants	2,609
Interest paid	(24,833)
Additions to capital assets	<u>(7,200)</u>
Net cash provided by (used in) capital and related financing activities	<u>(45,924)</u>
Cash Flows From Investing Activities:	
Interest received on investments	<u>4,424</u>
Net increase (decrease) in cash and cash equivalents	17,081
Cash and cash equivalents, beginning of year	<u>909,402</u>
Cash and cash equivalents, end of year	<u>\$ 926,483</u>
Reconciliation of Cash and Cash Equivalents to the Balance Sheet:	
Cash and cash equivalents	<u>\$ 926,483</u>
Cash and cash equivalents, June 30	<u><u>\$ 926,483</u></u>
Reconciliation of Operating Income (Loss) to	
Net Cash Provided by Operating Activities	
Operating income (loss)	\$ (139,397)
Adjustments to Reconcile Operating Income (Loss) to	
Net Cash Provided by Operating Activities:	
Depreciation	109,968
Changes in Assets and Liabilities:	
Accounts receivable	(4,457)
Prepaid expense	(22,254)
Accounts payables	27,916
Accrued payroll	6,277
Compensated absences	<u>227</u>
Net cash provided by (used in) operating activities	<u><u>\$ (21,720)</u></u>

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

GRIZZLY FLATS COMMUNITY SERVICES DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 1: Summary of Significant Accounting Policies

The Grizzly Flats Community Services District (“District”) was established in 1987. The former Grizzly Park Water Company was transferred by Thomas and Peggy Porter to the District on August 15, 1988. The District is located in the Foothills of the Sierra Nevada within El Dorado County. The District provides treated water for domestic use and fire protection within the service area of 1227 parcels. Currently, the District has over 600 connections. The District’s governing body is a Board of Directors comprised of 5 members with 4 year staggered terms.

A. Reporting Entity

The District has defined its reporting entity in accordance with generally accepted accounting principles, which provides guidance for determining which governmental activities, organizations, and functions should be included in the reporting entity. In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The primary criterion for including a potential component unit within the reporting entity is the governing body’s financial accountability. A primary governmental entity is financially accountable if it appoints a voting majority of a component unit’s governing body and it is able to impose its will on the component unit, or if there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable if a component unit is fiscally dependent on the primary governmental entity regardless of whether the component unit has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board.

No operations of other entities met the aforementioned oversight criteria for inclusion or exclusion from the accompanying financial statements in accordance with Governmental Accounting Standards Board Statement No. 61.

B. Fund Accounting

The accounting records of the District are organized on the generally accepted basis of accounting for an enterprise fund.

Enterprise Fund – An Enterprise fund is used to account for the District's water operations that is financed and operated in a manner similar to a private business enterprise, where the intent of the Board of Directors is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

C. Basis of Accounting

The accompanying financial statements have been prepared on the full accrual basis of accounting. This is a basis of accounting that conforms to accounting principles generally accepted in the United States of America.

U.S. generally accepted accounting principles require all proprietary funds to use the accrual basis of accounting. The revenues are recognized when they are earned. Expenses are recognized under the accrual basis of accounting when the related fund liability is incurred.

GRIZZLY FLATS COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting (Continued)

Operating revenues in the proprietary funds are those revenues that are generated from the primary operation of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

D. Prepaid Expenses

Accounts for prepaid insurance.

E. Fixed Assets

Acquisitions of fixed assets over \$5,000 are capitalized at cost and the related accumulated depreciation is recorded. Depreciation is provided for using the straight line method over the estimated useful lives as indicated in the District's capital asset policy. The District has adopted a capital asset policy in accordance with GASB 34.

F. Cash Equivalents

For purpose of the statement of cash flows, the District considers cash and cash equivalents as short term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. This includes bank accounts and deposits with the State of California Local Agency Investment Fund (LAIF).

G. Accrued Unbilled Revenue

During the year, metered water connections are read and bills rendered after the period of usage. Revenue for water distributed but not yet billed is accrued at fiscal year-end to match revenues with related expenses.

H. Budgetary Reporting

The District prepares an annual operating and capital budget, which is approved and adopted by the Board of Directors. The budget serves as an approved plan to facilitate financial control and operational evaluation. California State law does not require formal adoption of appropriated budgets for enterprise funds.

I. Use of Estimates in the Preparation of Financial Statements:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

GRIZZLY FLATS COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

J. Estimated Insurance Liabilities:

The District maintains a commercial package policy that provides limits of liability per occurrence annually.

K. Net Position:

Net position comprise the various net earnings from operating income, non-operating revenues and expenses and capital contributions. Net position is classified in the following three components:

Net Investment in Capital Assets: This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

*Restricted-*This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position-*This component of net position consists of net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

L. Restricted and Unrestricted Resources:

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, and then unrestricted resources as needed.

Note 2: Cash and Investments

Cash and investments are reported on the balance sheet as follows:

Cash and investments	\$ 884,403
Restricted cash and investments	41,980
Total cash and investments	<u>\$ 926,383</u>

Cash and investments at June 30, 2021, consisted of the following:

General checking	\$ 57,575
Payroll checking	1,071
Business savings account	41,980
Cash with county	2,436
LAIF	823,321
Total cash and investments	<u>\$ 926,383</u>

GRIZZLY FLATS COMMUNITY SERVICES DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 2: Cash and Investments (Continued)

A. Investments Authorized by the California Government Code and the Entity's Investment Policy

The table below identifies the **investment types** that are authorized for the Grizzly Flats Community Services District (District) by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of 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 bond trustees 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 investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Percentage of Portfolio</u>	<u>Investment in One Issuer</u>
Investment pools authorized under CA Statutes governed by Government Code	N/A	None	\$40 million
U.S. Treasury Obligations	5 years	None	None
Bank Savings Accounts	N/A	25%	None
Federal Agencies	5 years	75%	None
Commercial Paper	180 days	20%	None
Negotiable Certificates of Deposit	180 days	20%	None
Re-Purchase Agreements	180 days	20%	None
Corporate Debt	5 years	25%	None

B. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investment by maturity:

<u>Investment Type</u>	<u>Totals</u>	<u>Remaining Maturity (in Months)</u>	
		<u>12 Months or Less</u>	<u>13-48 Months</u>
State Investment Pool*	\$ 823,321	\$ 823,321	\$ -
El Dorado County Pooled Cash*	2,436	2,436	-
Totals	\$ 825,757	\$ 825,757	\$ -

*Not subject to categorization

C. Concentrations of Credit Risk

The investment policy of the District contains limitations on the amount that can be invested in any one issuer. There are no investments to one issuer exceeding those limits.

GRIZZLY FLATS COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 2: Cash and Investments (Continued)

D. Custodial Credit Risk

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

At June 30, 2021, the District's deposits balance was \$101,887 and the carrying amount was \$100,626. The difference between the bank balance and the carrying amount was due to normal outstanding checks and deposits in transit. Of the bank balance, all was covered by the Federal Depository Insurance Corporation or by collateralized deposits.

E. Investment in State Investment Pool

LAIF is included in the State's Pooled Money Investment Account. The total amount invested by all public agencies in the State's Pooled Money Investment Account approximates \$101.79 billion. Of the \$101.79 billion managed by the State Treasurer, 100% is invested in non-derivative financial products and 3.37% is invested in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by state statute.

The District maintains a portion of its cash and investments with the El Dorado County Treasurer in an investment pool. The District's funds are managed in accordance with the investment policy of the County Treasury. On a quarterly basis the Treasurer allocates interest to participants based upon their average daily balances. Required disclosure information regarding the categorization of investments and investment risk can be found in the County's financial statements. The El Dorado County's financial statements may be obtained by contacting the County of El Dorado Auditor-Controller's office at 330 Fair Lane, Placerville, California 95667.

Required disclosures for the District's investment in the El Dorado County Investment Pool at June 30, 2021 are as follows:

Credit risk	Not rated
Custodial risk	Not applicable
Concentration of credit risk	Not applicable
Interest rate risk	Not available

Investments are accounted for in accordance with the provisions of GASB Statement No. 31, which requires governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in fair value of investments in the year in which the change occurred. The District reports its investments at fair value based on quoted market information obtained from fiscal agents or other sources if the change is material to the financial statements.

GRIZZLY FLATS COMMUNITY SERVICES DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 3: Capital Assets

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	Balance 7/1/2020	Additions	Retirements/ Adjustments	Balance 6/30/2021
Capital Assets not Being Depreciated				
Land	\$ 237,405	\$ -	\$ -	\$ 237,405
Construction in progress	21,935	7,200		29,135
Total capital assets, not being depreciated	<u>259,340</u>	<u>7,200</u>		<u>266,540</u>
Capital Assets, Being Depreciated				
Water plant	3,763,056			3,763,056
Equipment	327,315			327,315
Vehicles	68,275			68,275
Total capital assets, being depreciated	<u>4,158,646</u>	-		<u>4,158,646</u>
Less accumulated depreciation:	<u>(1,837,514)</u>	<u>(109,968)</u>		<u>(1,947,482)</u>
Total capital assets, being depreciated, net	<u>2,321,132</u>	<u>(109,968)</u>		<u>2,211,164</u>
Total capital assets, net	<u>\$ 2,580,472</u>	<u>\$ (102,768)</u>	\$ -	<u>\$ 2,477,704</u>

Note 4: Long-Term Liabilities

The following is a summary of changes in the business-type activities long-term liabilities for the fiscal year ended June 30, 2021:

	Balance 7/1/2020	Additions	Retirements	Balance 6/30/2021	Due Within One Year
Compensated absences	\$ 14,687	\$ 14,662	\$ (14,435)	\$ 14,914	\$ 7,218
USDA loan-WSIP	836,000		(16,500)	819,500	17,000
Total	<u>\$ 850,687</u>	<u>\$ 14,662</u>	<u>\$ (30,935)</u>	<u>\$ 834,414</u>	<u>\$ 24,218</u>

Long-term obligations consisted of the following:

Compensated Absences

Full-time employees accrue vacation days throughout the year, based upon the number of years of completed service. Earned but unused vacation benefits can be converted to cash at termination or retirement from employment. Vacation days may accrue up to, but no more than, twice the applicable annual vacation allowance defined in the District policy manual. Once an employee has accrued the maximum number of hours of vacation time, additional vacation time will not accrue until some portion of the accrued hours have been used.

GRIZZLY FLATS COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 4: Long-Term Liabilities (Continued)

Certificates of Participation

On September 1, 2011, Certificates of Participation for \$952,000 were issued to the Grizzly Flats Community Services District. Proceeds from these certificates were used for the construction of improvements to its domestic water system and related structures, improvements and equipment. The certificates are secured by a lien on the District's net revenues. The interest rate is 3.00%. Interest is payable on April 1 and October 1 of each year. Principal on certificates is payable annually on October 1 through 2050.

Future annual requirements to amortize the long-term debt outstanding as of June 30, 2021 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2022	\$ 17,000	\$ 24,330	\$ 41,330
2023	17,500	23,813	41,313
2024	18,500	23,273	41,773
2025	19,000	22,710	41,710
2026	19,500	22,133	41,633
2027-2031	106,000	101,445	207,445
2032-2036	123,000	84,300	207,300
2037-2041	142,500	64,403	206,903
2042-2046	165,000	41,400	206,400
2047-2051	191,500	14,708	206,208
Total	<u>\$ 819,500</u>	<u>\$ 422,513</u>	<u>\$1,242,013</u>

Note 5: Retirement Plan

The District offers to each full time employee a deferred compensation plan (tax sheltered annuity). This plan qualifies under IRC Section 457 (b) as exempt from current income taxes. As long as the employee contributes between 2% to 6% of their salary to the retirement plan, the District matches 50% of contributions up to a maximum 3% of the employee gross salary.

Note 6: Net Position

Net position at June 30, 2021 consisted of the following:

	2021
Net investment in capital assets	<u>\$ 1,658,204</u>
Restricted	
USDA loan reserve	<u>42,008</u>
Unrestricted	
Designated for	
Capital projects	540,876
Asset management	80,548
Undesignated	<u>205,170</u>
Total unrestricted	<u>826,594</u>
Total net position	<u>\$ 2,526,806</u>

GRIZZLY FLATS COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 7: Revenue Limitations Imposed by California Proposition 218

Proposition 218, which was approved by the voters in November 1996, regulates the District's ability to impose, increase, and extend rates, taxes and assessments. Any new increase or extended rates, taxes and assessments subject to the provisions of Proposition 218, requires voter approval before they can be implemented. Additionally, Proposition 218 provides that these rates, taxes and assessments are subject to voter initiative and may be rescinded in the future years by the voters.

Note 8: Commitments and Contingent Liabilities

Contingent Liabilities

In the normal course of business, the District is subject to various lawsuits. Defense of lawsuits is typically handled by the District's insurance carrier and losses, if any, are expected to be covered by insurance.

Commitments

Service Contract

On May 1, 2017 the District entered into an agreement with H2O Urban Solutions to support the water operations and maintenance of the water facilities. The term of that agreement is for three years with an option to renew for two additional one year terms, subject to termination per terms specified in the agreement. The District chose to exercise its first option for renewal from May 1, 2020 through June 30, 2021.

COVID 19

In December 2019, a novel strain of coronavirus has spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of Grizzly Flats Community Services District could potentially be adversely affected by this global pandemic. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. The District has not included any contingencies in the financial statements specific to this issue.

Note 9: Subsequent Events

The District suffered a catastrophic loss due to the Caldor Fire in August 2021. As a result, operations of the District were shut down for a portion of the 2021/22 fiscal year and some of the infrastructure was destroyed in the fire.

Management has evaluated subsequent events through October 13, 2022, the date these June 30, 2021 financial statement were available to be distributed.