GRIZZLY FLATS COMMUNITY SERVICES DISTRICT

FINANCIAL STATEMENTS

AND SINGLE AUDIT REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

GRIZZLY FLATS COMMUNITY SERVICES DISTRICT

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LARRY BAIN, CPA
An Accounting Corporation

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Grizzly Flats Community Services District
Grizzly Flats, CA

Opinion

We have audited the accompanying financial statements of the business-type activity and the fiduciary fund of Grizzly Flats Community Services District, as of and for the fiscal year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2025, and the changes in financial position and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Grizzly Flats Community Services District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Grizzly Flats Community Services District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Grizzly Flats Community Services District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Grizzly Flats Community Services District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements are not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grizzly Flats Community Services District, basic financial statements. The accompanying schedule of expenditures of federal awards, required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 12, 2026, on our consideration of Grizzly Flats Community Services District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Grizzly Flats Community Services District internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Grizzly Flats Community Services District internal control over financial reporting and compliance.

Larry Bain, CPA
An Accounting Corporation
March 12, 2026

GRIZZLY FLATS COMMUNITY SERVICES DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2025

Current Assets	
Cash and investments	$ 2,030,495
Prepaid expense	37,383
Accounts receivable	273,057
Grants receivable	1,649,037
Total current assets	3,989,972
Noncurrent Assets	
Restricted cash	45,999
Capital assets	
Nondepreciable capital assets	
Land	237,405
Construction in progress	2,360,161
Depreciable capital assets	
Water plant	3,723,063
Equipment	385,841
Vehicles	82,275
Less accumulated depreciation	(2,118,279)
Total depreciable capital assets-net	2,072,900
Total capital assets (net of accumulated depreciation)	4,670,466
Total noncurrent assets	4,716,465
Total assets	8,706,437
Current Liabilities	
Accrued expenses	234,580
Accrued salary and benefits payable	39,632
Unearned revenue	2,590,275
Current portion of compensated absences	2,393
Current portion of note payable	19,500
Total current liabilities	2,886,380
Long-Term Liabilities	
Compensated absences	2,393
Note payable	728,000
Total long-term liabilities	730,393
Total liabilities	3,616,772
Net Position	
Net investment in capital assets	3,922,966
Restricted for debt reserve	45,999
Unrestricted	1,120,700
Total net position	$ 5,089,665

The notes to 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, 2025

Operating revenue	
Water sales	$ 751,907
Water user penalties	11,851
Other	363
Total operating revenues	764,121
Operating expenses	
Water treatment	17,846
Transmission and distribution	1,303,812
Administration and general	365,782
Depreciation	91,952
Total operating expenses	1,779,392
Operating income (loss)	(1,015,271)
Nonoperating revenue (expenses)	
Interest income	19,156
Standby fees	55,855
Penalties on standby fees	1,772
Grant revenue	3,115,834
Insurance recovery	307,722
Sale of assets	750
Interest expense	(22,710)
Nonoperating revenues (expenses)	3,478,379
Increase (decrease) in net position	2,463,108
Net position, beginning of fiscal year	2,626,557
Net position, end of fiscal year	$ 5,089,665

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

GRIZZLY FLATS COMMUNITY SERVICES DISTRICT

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Cash flows from operating activities:	
Cash receipts from customers	$ 655,843
Cash payments to suppliers for goods and services	(1,424,505)
Cash payments to employees for services and benefits	(266,644)
Net cash provided by (used in) operating activities	(1,035,306)
Cash flows from noncapital and related financing activities:	
Standby fees and penalties	57,627
Grants	3,647,569
Net cash provided by (used in) noncapital financing activities	3,705,196
Cash flows from capital and related financing activities:	
Principal payments on long-term debt	(19,000)
Interest paid	(22,710)
Insurance recovery	307,722
Sale of assets	750
Additions to capital assets	(2,483,439)
Net cash provided by (used in) capital and related financing activities	(2,216,677)
Cash flows from investing activities:	
Interest received on investments	19,156
Net increase (decrease) in cash and cash equivalents	472,369
Cash and cash equivalents, beginning of year	1,604,125
Cash and cash equivalents, end of year	$ 2,076,494
Reconciliation of cash and cash equivalents to the balance sheet:	
Cash and cash equivalants	$ 2,076,494
Cash and cash equivalents, June 30	$ 2,076,494
Reconciliation of operating income (loss) to net cash provided by operating activities	
Operating Income (Loss)	$ (1,015,271)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	91,952
Changes in assets and liabilities:	
Accounts receivable	(108,278)
Prepaid expense	(11,559)
Accounts payables	26,183
Accrued payroll	(19,770)
Compensated absences	1,437
Net cash provided by (used in) operating activities	$ (1,035,306)

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

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 U. S. 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 GASB.

B. Basis of Presentation

The District's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

Fund Financial Statements

The proprietary fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column. All remaining funds are aggregated and reported as non-major funds.

Proprietary fund financial statements include a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows.

Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Note 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Operating revenues in the proprietary fund 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.

The District reports on the following proprietary fund:

Water
This fund accounts for the activities of treating and distributing water to the residents in the District and the general operations.

C. Prepaid Expenses

Accounts for prepaid insurance.

D. Fixed Assets

Acquisitions of fixed assets 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 from 5 to 50 years, as indicated in the District's capital asset policy.

Maintenance and repairs are charged to expense as incurred. Significant additions or improvements are capitalized and depreciated over the revised estimated useful lives. Costs incurred for major improvements or construction of assets are carried in construction in progress until the project is completed at which time costs related to the project are capitalized in the appropriate asset account. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000.

E. 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).

F. 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.

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

The preparation of financial statements in conformity with 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.

Note 1: Summary of Significant Accounting Policies (Continued)

H. Property Tax:

The District receives property taxes from El Dorado County, which has been assigned the responsibility for assessment, collections, and apportionment of property taxes for all taxing jurisdictions within the County. Secured property taxes are levied on January 1 for the following fiscal year and on which date it becomes a lien on real property. Secured property taxes are due in two installments on November 1 and February 1 and are delinquent after December 10 and April 10, respectively, for the secured roll. Based on a policy by the County called the Teeter Plan, 100% of the allocated taxes are transmitted by the County to the District, eliminating the need for an allowance for uncollectible taxes. The County, in return, receives all penalties and interest. Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent if unpaid by August 31. Property tax revenues are recognized in the fiscal year they are received.

I. Estimated Insurance Liabilities:

The District maintains a commercial package policy covering general and auto liability, public officials' and employees' errors and omissions and employment general practices. Settlements have not exceeded insurance coverage in any of the last three years.

J. Net Position:

Net position comprises 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 component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

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 does not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted net position are available, unrestricted resources are used only after the restricted resources are depleted.

Note 2: Cash and Investments

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

Cash and investments	$ 2,030,395
Restricted cash and investments	45,999
Total cash and investments	$ 2,076,394

Cash and investments at June 30, 2025, consisted of the following:

General checking	$ 1,600,782
Payroll checking	14,502
Business savings account	45,999
Cash with county	2,633
LAIF	412,478
Total cash and investments	$ 2,076,394

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.

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
State of California obligations	5 years	None	None
U.S. agency securities	5 years	None	None
Banker's acceptances	180 days	40%	30%
Commercial paper	270 days	40%	10%
Negotiable CDs	5 years	30%	None
Repurchase agreements	1 years	None	None
Reverse repurchase agreements	92 days	20%	None
Medium term notes	5 years	30%	None
Mutual/money market funds	5 years *	20%	10%
Collateralized bank deposits	5 years	None	None
Mortgage pass-through securities	5 years	20%	15%
Time deposits	5 Years	None	None
Local Agency Investment Fund (LAIF)	5 years *	None	None

* The five year maximum maturity can be extended by the Board of Directors. Also, the maximum maturity can be extended if the funds are reserved for bond, COP or note payments to coincide with the required repayments.

Note 2: Cash and Investments (Continued)

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 and 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:

		Remaining Maturity (in Months)	
Investment Type	Totals	12 Months or Less	13-48 Months
State Investment Pool*	$ 412,478	$ 412,478	$ -
El Dorado County Pooled Cash*	2,633	2,633	
Totals	$ 415,111	$ 415,111	$ -

*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.

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, 2025, the District's deposits balance was $1,648,269 and the carrying amount was $1,661,283. 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 Federal Depository Insurance or by collateral held in the pledging bank's trust department in the District's name as required by California Law.

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 $179.92 billion. Of the $179.92 billion managed by the State Treasurer, 100% is invested in non-derivative financial products and 3.81% 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.

Note 2: Cash and Investments (Continued)

E. Investment in State Investment Pool (Continued)

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, CA 95667.

Note 3: Capital Assets

Capital asset activity for the fiscal year ended June 30, 2025 was as follows:

	Balance 7/1/2024	Additions	Retirements/ Adjustments	Balance 6/30/2025
Capital assets not being depreciated				
Land	$ 237,405	$ -	$ -	$ 237,405
Construction in progress	183,910	2,176,251		2,360,161
Total capital assets, not being depreciated	421,315	2,176,251		2,597,566
Capital assets, being depreciated				
Water plant	3,546,528	176,535		3,723,063
Equipment	269,188	116,653		385,841
Vehicles	68,275	14,000		82,275
Total capital assets, being depreciated	3,883,991	307,188		4,191,179
Less accumulated depreciation:	(2,026,327)	(91,952)		(2,118,279)
Total capital assets, being depreciated, net	1,857,664	215,236		2,072,900
Total capital assets, net	$ 2,278,979	$ 2,391,487	$ -	$ 4,670,466

Note 4: Long-Term Obligations

The following is a schedule of changes in long-term obligations during the fiscal year:

	Balance 7/1/2024	Additions	Retirements	Balance 6/30/2025	Due Within One Year
Compensated absences	$ 3,348	$ 1,437	$ -	$ 4,785	$ 2,393
USDA Loan-WSIP	766,500		(19,000)	747,500	19,500
Total	$ 769,848	$ 1,437	$ (19,000)	$ 752,285	$ 21,893

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. The compensated absence balance also includes the amount of sick leave expected to be paid out prior to termination in accordance with GASB 101.

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, 2025 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2026	$ 19,500	$ 22,133	$ 41,330
2027	20,000	21,540	41,313
2028	20,500	20,933	41,773
2029	21,000	20,310	41,773
2030	22,000	19,665	41,665
2031-2035	119,500	87,938	207,438
2036-2040	138,500	68,618	207,118
2041-2045	160,000	46,275	206,275
2046-2050	186,000	20,370	206,370
2051	40,500	608	41,108
Total	$ 747,500	$ 328,388	$1,076,160

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: Revenue Limitations Imposed by California Proposition 218

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

Note 7: Commitments and Contingent Liabilities

In the normal course of business, the District is a defendant in 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.

Grants

Grants are subject to audit to determine compliance with their requirements. District officials believe that if any refunds are required, they would not have a significant effect on the financial condition or liquidity of the District. The District is unaware of any pending litigation or other contingencies which would have a material effect on the financial condition or liquidity of the District.

Service Contract

On May 12, 2020 the District entered into an agreement with H20 Urban Solutions to support the water operations and maintenance of the water facilities. The term of the 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. On June 12, 2025 the District approved to extend the agreement for an additional three year term. The amount for the first year of the new term from July 1, 2025 to June 30, 2026 is $287,605

Pledge of Net Revenues

The district has pledged its net revenues to secure the USDA loan used to make water infrastructure improvements. The net revenues are subject to a lien of such pledge.

Note 8: Subsequent Events

Subsequent events were evaluated through March 12, 2026, the date these financial statements were available for distribution.

GRIZZLY FLATS COMMUNITY SERVICES DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2025

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Agriculture			
Direct via USDA Rural Utilities Service:			
Emergency Community Water Assistance Grants - Grizzly Flats CSD	10.760	--	$ 858,702
Total U.S. Department of Agriculture			**$ 858,702**
U.S. Department of the Treasury			
Passed Through El Dorado Water Agency:			
Coronavirus State and Local Fiscal Recovery Funds:			
Clearwell and Water Treatment Plant Improvements Project	21.027	ARPA-GFCSD-01	$ 2,035,556
Reservoir Lining Rehabilitation Project	21.027	ARPA-GFCSD-02	2,722
Total U.S. Department of Treasury			**$ 2,038,278**
U.S. Department of Homeland Security-Federal Emergency Management Agency			
Passed Through California Governor's Office of Emergency Services			
Public Assistance Grant	97.036	FEMA-4683-DR-CA, Cal OES ID: 017-91022	$ 9,390
Total U.S. Department of Homeland Security-Federal Emergency Management Agency			**$ 9,390**
Total Expenditures of Federal Awards			**$ 2,906,370**

See accompanying notes to schedule of expenditures of federal awards

GRIZZLY FLATS COMMUNITY SERVICES DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2025

Note 1: **Scope of Presentation**

The accompanying schedule presents only the expenditures incurred by the Grizzly Flats Community Services District that are reimbursable under federal programs of federal financial assistance. For the purposes of this schedule, federal awards include both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by the District from a non-federal agency or other organization. Only the portion of program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

Note 2: **Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting as described in Note 1 to the District s basic financial statements. Expenditures of federal awards are reported in the District s basic financial statements as capital assets for capital expenditures and operating expenses for non-capital expenditures. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: **Relationship to Financial Statements**

Federal award expenditures agree, or can be reconciled, with the amounts reported in the District's basic financial statements.

Note 4: **Loans Outstanding**

The District has no federal loans outstanding with a continuing compliance requirement.

Note 5: **Passed Through to Subrecipients.**

No federal expenditures were passed through to subrecipients during the year.

Note 6: **Indirect Cost Rate**

The District has not elected the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

LARRY BAIN, CPA

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

To The Board of Directors
Grizzly Flats Community Services District
Grizzly Flats, CA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the fiduciary fund of Grizzly Flats Community Services District , as of and for the fiscal year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Grizzly Flats Community Services District basic financial statements, and have issued our report thereon dated March 12, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Grizzly Flats Community Services District internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Grizzly Flats Community Services District internal control. Accordingly, we do not express an opinion on the effectiveness of Grizzly Flats Community Services District internal control.

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 a 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. 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We consider finding FS 2025-001 to be a deficiency in internal control that we consider to be a material weakness. Additional material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Larry Bain, CPA
An Accounting Corporation
March 12, 2026

LARRY BAIN, CPA
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Grizzly Flats Community Services District
Grizzly Flats, CA

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Grizzly Flats Community Services District compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Grizzly Flats Community Services District major federal programs for the fiscal year ended June 30, 2025. Grizzly Flats Community Services District major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Grizzly Flats Community Services District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Grizzly Flats Community Services District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Grizzly Flats Community Services District compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Grizzly Flats Community Services District federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Grizzly Flats Community Services District compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Grizzly Flats Community Services District compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Grizzly Flats Community Services District compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances

- Obtain an understanding of Grizzly Flats Community Services District internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Grizzly Flats Community Services District internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance exists* when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a *material weakness in internal control over compliance*, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *Uniform Guidance.* Accordingly, this report is not suitable for any other purpose.

Larry Bain, CPA
An Accounting Corporation
March 12, 2026

GRIZZLY FLATS COMMUNITY SERVICES DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR END
JUNE 30, 2025

SUMMARY OF AUDIT RESULTS

1. The auditor's report on the financial statements of Grizzly Flats Community Services District is unqualified.

2. A material weakness relating to the audit of the financial statements of Grizzly Flats Community Services District was disclosed during the audit as FS 2025-001.

3. No significant deficiencies identified not considered to be material weaknesses relating to the audit of the financial statements of Grizzly Flats Community Services District were disclosed during the audit.

4. No instances of noncompliance material to the financial statements of Grizzly Flats Community Services District were disclosed during the audit.

5. No material weaknesses relating to the audit of the major federal award programs of Grizzly Flats Community Services District were disclosed during the audit.

6. No significant deficiencies identified not considered to be material weaknesses relating to the audit of the major federal award programs were disclosed during the audit.

7. The auditor's report on compliance for the major federal award program for Grizzly Flats Community Services District is unmodified.

8. No audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.

9. The program tested as major program are:

ALN 10.760	United States Department of Agriculture, Emergency Community Water Assistance Grants - Grizzly Flats CSD
ALN 21.027	Department of Treasury, Coronavirus State and Local Fiscal Recovery Funds

10. The threshold for distinguishing Types A and B Programs was $750,000.

11. Grizzly Flats Community Services District did not qualify as a low-risk auditee.

SECTION II: FINDINGS-FINANCIAL STATEMENT AUDIT

FS 2025-001:

Condition

The District relies on the external auditor to ensure its financial statements are in accordance with GAAP. In addition, the District relies on the external auditor to ensure that all necessary disclosures are included in the notes to the financial statements.

During our testing of receivables, capital assets and payables, we identified reclassifications that resulted in a decrease of $1,458,598 receivables, an increase of $2,512,105 in capital assets, an increase of $19,581 payables, a decrease of $1,112,037 unearned revenue, an increase of $2,014,457 revenue and a decrease of $134,236 expenditures. The reclassifications were mainly associated with ongoing grant projects and insurance reimbursements and expenditures related to the Caldor Fire.

Criteria

In accordance with Statement of Auditing Standards external auditors cannot be part of an entity's internal controls over preparation of the financial statements and are prohibited from auditing their own work, which would impair their independence.

Furthermore, accounting principles generally accepted in the United States of America require assets and liabilities, to agree to the underlying activity. Revenues and expenditures and the related assets and liabilities should be recognized in the accounting period in which incurred.

Cause of Condition

The District does not employ a staff member with the necessary knowledge and training to prepare governmental financial statements.

The year-end close weakness occurred due to staff turnover. Specifically, the employee responsible for posting year-end accruals departed the District, and adequate cross training or transition procedures were not in place to ensure continuity of this critical year-end process.

Potential Effect of Condition

Without proper controls over year-end closing, assets, liabilities and the related revenues and expenditures could be overstated/understated, leading to misstatement of the financial statements. In this case, assets were initially understated $1,053,507 and liabilities were initially overstated by approximately $1,092,456 before the corrections were made.

Recommendation

We recommend the District implement cross-training protocols, or hire a qualified external accounting to ensure that the individual(s) are familiar with the year-end closing process. Additionally, we suggest creating a checklist of recurring accruals that require review at year-end. Furthermore, it would be advisable to consider implementing additional review procedures when staff turnover occurs near critical reporting deadlines.

SECTION II: FINDINGS-FINANCIAL STATEMENT AUDIT (Continued)
FS 2025-001 (Continued)

Management's Response

We agree with the findings. To ensure this does not happen in subsequent fiscal years, we will implement appropriate cross-training protocols to ensure that staff members and the independent accountant are familiar with the year-end close process.

SECTION III: FINDINGS AND QUESTIONED COSTS – FEDERAL AWARD PROGRAMS

None

SECTION IV: SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None