

**GRIZZLY RANCH COMMUNITY
SERVICES DISTRICT**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
for the year ended June 30, 2021**

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Robert W. Johnson
an accountancy corporation

6234 Birdcage Street, Citrus Heights, California 95610 | robertwjohsoncpagroup@gmail.com | 916.723.2555
www.bob-johnson-cpa.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Grizzly Ranch Community Services District
Portola, California

Report on the Financial Statements

We have audited the accompanying financial statements of Grizzly Ranch Community Services District, as of and for the 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Grizzly Ranch Community Services District as of June 30, 2021, and the respective changes in financial position and cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and State Regulations governing Special Districts.

Other Matters

Required Supplementary Information

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 is not affected by the missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the 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.

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
December 1, 2021



LIABILITIES AND NET POSITION

Current liabilities:

Current portion of long-term debt (Note 6)	\$	42,646
Accounts payable		695
Accrued vacation		<u>3,373</u>

Total current liabilities 46,714

Non-current liabilities:

Note payable, net of current portion (Note 6)		<u>538,168</u>
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Total liabilities 584,882

Net position (Note 8):

Net investment in capital assets	\$3,179,009	
Restricted	50,000	
Unrestricted	<u>835,591</u>	

4,064,600

\$4,649,482

GRIZZLY RANCH COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
for the year ended June 30, 2021

	<u>Water</u>	<u>Sewer</u>	<u>Combined</u>
Operating revenues:			
Connected charges	\$ 43,186	\$ 44,949	\$ 88,134
Standby assessments	178,555	185,786	364,341
Recovery income	245	255	500
Connection fees	<u>3,311</u>	<u>3,446</u>	<u>6,758</u>
Total operating revenues	<u>225,297</u>	<u>234,436</u>	<u>459,733</u>
Operating expenses:			
Source of supply	34,052	-	34,052
Treatment	25,161	78,686	103,847
Pumping	21,446	-	21,446
Transmission and distribution	5,198	-	5,198
Administration and general	56,733	60,053	116,786
Depreciation	90,788	95,305	186,093
Collection	<u>-</u>	<u>11,142</u>	<u>11,142</u>
Total operating expenses	<u>233,378</u>	<u>245,186</u>	<u>478,564</u>
Operating income (loss)	(8,081)	(10,750)	(18,831)
Non-operating revenues (expenses):			
Interest income	1,975	1,154	3,129
Interest expense	-	(25,956)	(25,956)
Other misc. expense	<u>(3,275)</u>	<u>(3,409)</u>	<u>(6,684)</u>
	<u>(1,300)</u>	<u>(28,211)</u>	<u>(29,511)</u>
Income (loss) before contributions (carried forward)	(9,381)	(38,961)	(48,342)

See notes to financial statements

GRIZZLY RANCH COMMUNITY SERVICES DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION, continued
 for the year ended June 30, 2021

	<u>Water</u>	<u>Sewer</u>	<u>Combined</u>
Income (loss) before contributions (carried forward)	\$(9,381)	\$(38,961)	\$(48,342)
Capital contribution	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	<u>\$(9,381)</u>	<u>\$(38,961)</u>	<u>(48,342)</u>
Total net position:			
Beginning, as originally stated			4,058,547
Add, prior period adj. (Note 12)			<u>54,395</u>
Beginning, as restated			<u>4,112,942</u>
Ending			<u>\$4,064,600</u>

See notes to financial statements

GRIZZLY RANCH COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS
for the year ended June 30, 2021

Cash flows from operating activities:		
Receipts from customers		\$ 375,326
Payments to suppliers		(130,383)
Payments to employees		<u>(163,365)</u>
Net cash provided by operating activities		81,578
Cash flows from noncapital financing activities:		
Other misc. expense		(6,684)
Cash flows from capital and related financing activities:		
Property additions, including work in progress	\$(114,552)	
Payment of long-term debt	(40,859)	
Interest paid	<u>(25,956)</u>	(181,367)
Cash flows from investing activities:		
Interest income		<u>3,129</u>
Net decrease in cash and cash equivalents		(103,344)
Cash at beginning of year		<u>560,110</u>
Cash at end of year		<u>\$ 456,766</u>
Reconciliation of cash and cash equivalents to statement of net position:		
Unrestricted – cash and cash equivalents		\$ 378,436
Restricted – cash and cash equivalents		<u>78,330</u>
		<u>\$ 456,766</u>

See notes to financial statements

GRIZZLY RANCH COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS, continued
for the year ended June 30, 2021

Reconciliation of operating income (loss) to net cash provided to operating activities:		
Operating income (loss)		\$(18,831)
Adjustments to reconcile operating loss to net cash provided to operating activities:		
Depreciation expense	\$ 186,093	
Changes in operating assets and liabilities:		
Accounts receivable	(84,407)	
Accounts payable	695	
Accrued liabilities	<u>(1,972)</u>	
		<u>100,409</u>
Net cash provided by operating activities		<u>\$ 81,578</u>

See notes to financial statements

GRIZZLY RANCH COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2021

1. Organization:

Grizzly Ranch Community Services District (the “District”) was formed in 2003 and provides water and sewer services to residents of the District. The District’s financial and administrative functions are governed by a five member Board of Directors elected by the voting population within the District. The District’s mission statement is to provide safe, affordable and reliable drinking water and wastewater services.

2. Summary of Significant Accounting Policies:

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

Fund Accounting

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

Enterprise Fund – The enterprise fund is used to account for water and sewer 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. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

GRIZZLY RANCH COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2021

2. Summary of Significant Accounting Policies, continued:

Basis of Accounting, continued

Operating revenues and expenses, such as water sales along with water production, 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

Property, plant and equipment are recorded on the basis of purchase cost. Assets acquired by contributions 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 respective assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents, including restricted assets. Cash in banks and Treasury Money Market Funds are considered to be cash and cash equivalents.

Compensated Absences

Vested or accumulated vacation that is expected to be liquidated with expendable available financial resources is reported as an expense and as a current liability. Sick pay is not vested.

GRIZZLY RANCH COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2021

2. Summary of Significant Accounting Policies, continued:

Budget and Budgetary Accounting

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

Investments

Investments consist of Treasury Money Market Funds held at a brokerage. Investments are stated at fair value. Such investment is within the State statutes and the District's investment policy.

Net Position

Net position is classified in the following categories:

Net Investment in capital assets – 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 this category.

Restricted – presents external restrictions imposed by creditors, grantors, contributors or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted – represents the net position of the District, which are not restricted or invested in capital assets net of related debt.

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.

GRIZZLY RANCH COMMUNITY SERVICES DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 for the year ended June 30, 2021

2. Summary of Significant Accounting Policies, continued:

Recent Accounting Pronouncement

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases*, (Topic 842). ASU 2016-02 improves transparency and comparability among organizations by requiring recognition of lease assets and lease liabilities in the statement of financial position, except for leases with lease term of 12 months or less. Lease assets represent the right to use the underlying asset for the lease term, and lease liabilities represent the liability to make lease payments. Organizations are also required to disclose key information about lease arrangements. ASU 2016-02 is effective for the District's year ending June 30, 2022.

3. Cash and Investments:

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

Cash in checking	\$ 54,992
Certificates of Deposit	<u>275,922</u>
Total cash	330,914
Treasury Money Market Funds	<u>125,852</u>
Total cash and investments	<u>\$ 456,766</u>

Cash and investments are classified in the accompanying financial statements as follows:

Cash and investments	\$ 378,436
Restricted cash and investments	<u>78,330</u>
	<u>\$ 456,766</u>

GRIZZLY RANCH COMMUNITY SERVICES DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 for the year ended June 30, 2021

3. Cash and Investments, continued:

At June 30, 2021, the carrying amount of the District's deposits was \$330,914 and the balance in financial institutions was \$340,744. The bank balances were covered by Federal depository insurance and collateralized as required by State Law (Government Code Section 53630), by the pledging financial institution with assets held in a common pool for the District and other agencies, but not in the name of the District.

Investments:

California statutes authorize the District to invest in a variety of credit instruments as provided for in the California Government Code Section 53600, Chapter 4 – Financial Affairs. The Government Code allows investments in obligations of the U.S. Treasury, agencies, and instrumentalities, commercial paper rated A-1 by Standard & Poor's or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, medium-term corporate notes, mutual funds and the State Treasurer's Local Agency Investment Fund (LAIF). The investments at June 30, 2021 consist of:

	<u>Carrying Amount</u>	<u>Maturity - 12 Months or Less</u>
Treasury Money Market Funds	\$ <u>125,852</u>	\$ <u>125,852</u>

The District had \$50,797 in cash as of June 30, 2021, held in a Certificate of Deposit at a bank, in compliance with the debt service requirement of the 2019 Wastewater Project Installment Purchase Agreement (loan). In addition, at June 30, 2021 the District still held \$27,533 from the loan proceeds to be used towards future Wastewater Project costs.

GRIZZLY RANCH COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2021

4. Accounts Receivable:

Accounts receivable at June 30, 2021 consists of:

Customers	\$ 115,658
Standby – investors	<u>317,235</u>
	<u>\$ 432,893</u>

61 lots owned by an investor group are in default of standby assessment fees totaling \$317,235. 16 lots sold this year with the District receiving payment in September 2021 from Plumas County. The remaining delinquent assessments remain on the Plumas County tax roll. District is expecting full collection upon completion of five (5) year grace period allowable to defaulted party. District is currently in year four – after five year grace period, Plumas County has authority to seize property and sell to satisfy defaulted assessments to satisfaction of the District.

GRIZZLY RANCH COMMUNITY SERVICES DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 for the year ended June 30, 2021

5. Capital Assets:

Changes in capital assets for the year ended June 30, 2021 are as follows:

<u>Water</u>	<u>Balance, 7/1/2020</u>	<u>Additions/ Transfers</u>	<u>Disposals</u>	<u>Balance, 6/30/2021</u>
Land	\$ 153,931	\$ -	\$ -	\$ 153,931
Plant	330,100	-	-	330,100
Distribution	<u>3,051,538</u>	<u>107,834</u>	<u>-</u>	<u>3,159,372</u>
	<u>\$3,535,569</u>	<u>\$ 107,834</u>	<u>\$ -</u>	<u>\$3,643,403</u>

Sewer

Land	\$ 103,932	\$ -	\$ -	\$ 103,932
Plant	1,878,482	153,598	-	2,032,080
Collection system	<u>747,000</u>	<u>-</u>	<u>-</u>	<u>747,000</u>
	<u>\$2,729,414</u>	<u>\$ 153,598</u>	<u>\$ -</u>	<u>\$2,883,012</u>

Work in Progress

	<u>Balance, 7/1/2020</u>	<u>Additions</u>	<u>Transfers to Permanent Plant</u>	<u>Transfers to Expense</u>	<u>Balance, 6/30/2021</u>
Water plan renovation	\$ 16,567	\$ -	\$ 16,567	\$ -	\$ -
Well & repair	27,981	-	27,981	-	-
SCADA renovation	54,036	-	54,036	-	-
Wastewater project	<u>-</u>	<u>105,302</u>	<u>98,093</u>	<u>-</u>	<u>7,209</u>
	<u>\$ 98,584</u>	<u>\$ 105,302</u>	<u>\$ 196,677</u>	<u>\$ -</u>	<u>\$ 7,209</u>

GRIZZLY RANCH COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2021

6. Long-term Debt:

The following is a summary of the long-term debt activities for the year ended June 30, 2021:

	<u>Balance</u> <u>July 1, 2020</u>	<u>New Debt</u> <u>Issued</u>	<u>Debt</u> <u>Retired</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Current</u> <u>Portion</u>
Installment Purchase Agreement 2019 Wastewater Project	\$ <u>621,673</u>	\$ <u>-</u>	\$ <u>40,859</u>	\$ <u>580,814</u>	\$ <u>42,646</u>

2019 Wastewater Project:

On May 1, 2019 the District entered into a twelve (12) year Installment Purchase Agreement with a non-depository financial institution to issue bonds for \$625,000. Proceeds from these bonds will be used to improve the District's wastewater system. The bonds are secured by a lien on the District's net revenues. The fixed interest rate is 4.288% per annum. The District is required to maintain a \$50,000 reserve fund with a bank; amount not to exceed 10% of the aggregate principal amount of installment payments, maximum annual installment payments on 125% of the average amount installment payment. Monthly interest-only payments commenced in June 2019 and will continue for one year. Starting in June 2020 monthly principal and interest payments will be payable through May 2032 as follows:

The future annual maturities of all long-term borrowings as of June 30, 2021 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 42,646	\$ 24,070	\$ 66,716
2023	44,511	22,205	66,716
2024	46,457	20,259	66,716
2025	48,488	18,228	66,716
2026	50,609	16,107	66,716
2027-2031	288,238	45,344	333,582
2032	<u>59,865</u>	<u>1,293</u>	<u>61,158</u>
	<u>\$ 580,814</u>	<u>\$ 147,506</u>	<u>\$ 728,320</u>

GRIZZLY RANCH COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2021

7. GRCSD Wastewater Project:

The first phase of the GRCSD Wastewater Project was completed in September 2019. This included modifying the existing Wastewater Treatment Facility to operate as a Reclamation Facility, capable of treating the current flows of the District and to operate 12 months of the year. The modification allows the CSD to treat the District's wastewater and reclaim the water to the Grizzly Ranch Golf Course for irrigation use. Historically, the District had to utilize the services of a Sanitation Vendor to haul off its waste product as the Facility was not in operation. The elimination of that annual service will provide an estimated expense savings of \$100,000 annually. The costs of the first phase modifications were capitalized to the Sewer Reclamation Facility.

The second phase includes retrofitting each existing home or commercial site to a more reliable, cost effective primary treatment system. Currently each site includes a grinder pump which has historically been costly to the District, as they tend to fail frequently and are costly to replace. The grinder pumps also produce and distribute a more solid effluent product which is more costly and challenging to treat at the Reclamation Facility. Therefore, the CSD is investing in retrofitting each grinder pump with a STEP septic pumping system. Studies of the system have proven to be more reliable and simpler to maintain. The septic tanks would also allow for the solids in the effluent product to settle at each site, which would provide for a better-quality product which can be treated more efficiently at the Reclamation Facility. Each new build in the District will install a STEP septic pumping system, therefore, the GRCSD will only have to retrofit existing grinder pumps. The CSD was able to incorporate 8 retrofits included in the project loan funds in 2020. There was one retrofit included in the same loan funds in 2021, as of November 2021. There will be 44 remaining grinder pumps to be retrofitted with STEP septic pumping systems in the future as funds become available.

GRIZZLY RANCH COMMUNITY SERVICES DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 For the year ended June 30, 2021

8. Net Position:

Net position at June 30, 2021 consists of:

Net investment in capital assets		\$3,179,009
Restricted (debt service requirement)		50,000
Unrestricted:		
Board designated:		
Working capital reserve	\$ 25,000	
Undesignated	<u>810,591</u>	<u>835,591</u>
		<u>\$4,064,600</u>

9. Operating Lease:

The District leases office space on a monthly basis at \$525 per month, with lease term extending from November 1, 2019 to December 31, 2022.

Future minimum lease payments required under the aforementioned lease are as follows:

2022		\$6,300
2023		3,150

GRIZZLY RANCH COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
For the year ended June 30, 2021

10. Risk of Loss:

Grizzly Ranch Community Services District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; and injuries to employees. During the 2021 fiscal year, the District purchased certain commercial insurance coverages to provide for these risks.

11. Subsequent Events:

Management has evaluated subsequent events through December 1, 2021, the date these June 30, 2021 financial statements were available to be issued.

12. Prior Year Correction:

2020-4 resolution adopted to capitalize the replacement of 53 grinder pumps to STEP septic system. Costs of \$54,395 were expensed in 2020 fiscal year.

13. COVID-19:

In March 2020, the World Health Organization declared a global health pandemic of the Coronavirus Disease COVID-19. The GRCSO is committed to maintaining service responses and other essential services to the Grizzly Ranch Community Services District. The ultimate disruption caused by the outbreak is uncertain; however, at this point there has been no adverse effects on the GRCSO financial position and operations delivery, given the necessity of water and sewer services to the community.

SUPPLEMENTAL DATA

GRIZZLY RANCH COMMUNITY SERVICES DISTRICT
PRINCIPAL OFFICIALS
for the year ended June 30, 2021

Board of Directors:

Jim Miller	President
Kathy Roberts	Vice President
John Reynolds	Director
John Saeffe	Director
Stephen Tange	Director

Operations:

Larry Smith	General Manager
Carol Logan	Office Administrator/Bookkeeper