

**GRIZZLY RANCH COMMUNITY
SERVICES DISTRICT**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
for the year ended June 30, 2019**

ROBERT W. JOHNSON
Certified Public Accountant

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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, 2019, as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Grizzly Ranch Community Services District as of June 30, 2019, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and State Regulations governing Special Districts.

Other Matters

Required Supplementary Information

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 this 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

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



Citrus Heights, California
November 6, 2019

GRIZZLY RANCH COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
June 30, 2019

ASSETS

Current assets:

Cash and cash equivalents (Note 3)	\$1,004,188
Accounts receivable (Note 4)	<u>223,071</u>

Total current assets	1,227,259
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Capital assets, at cost (Notes 5 and 7):

Water	\$3,535,569
Sewer	<u>2,264,265</u>
	5,799,834
Less, accumulated depreciation	<u>2,415,214</u>
	3,384,620

Work in progress	<u>182,869</u>
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3,567,489

\$4,794,748

See notes to financial statements

LIABILITIES AND NET POSITION

Current liabilities:

Current portion of long-term debt (Note 7)	\$	3,327
Accounts payable		24,948
Accrued vacation		2,802
Payroll liabilities		<u>8,098</u>

Total current liabilities 39,175

Non-current liabilities:

Note payable, net of current portion (Note 7)		<u>621,673</u>
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Total liabilities 660,848

Net position (Note 6):

Net investment in capital assets	\$2,942,489	
Unrestricted	<u>1,191,411</u>	
		<u>4,133,900</u>

\$4,794,748

GRIZZLY RANCH COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
for the year ended June 30, 2019

	<u>Water</u>	<u>Sewer</u>	<u>Combined</u>
Operating revenues:			
Connected charges	\$ 40,376	\$ 42,024	\$ 82,400
Standby assessments	170,612	176,793	347,405
Recovery income	77	80	157
Miscellaneous	-	-	-
Connection fees	<u>3,214</u>	<u>3,213</u>	<u>6,427</u>
Total operating revenues	<u>214,279</u>	<u>222,110</u>	<u>436,389</u>
Operating expenses:			
Source of supply	31,030	-	31,030
Treatment	19,804	169,183	188,987
Pumping	5,187	-	5,187
Transmission and distribution	32,053	-	32,053
Administration and general	57,528	58,215	115,743
Depreciation	88,092	91,961	180,053
Collection	-	18,186	18,186
Disposal	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>233,694</u>	<u>337,545</u>	<u>571,239</u>
Operating income (loss)	<u>(19,415)</u>	<u>(115,435)</u>	<u>(134,850)</u>
Non-operating revenues (expenses):			
Interest income	<u>275</u>	<u>286</u>	<u>561</u>

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, 2019

	<u>Water</u>	<u>Sewer</u>	<u>Combined</u>
Income (loss) before contributions (carried forward)	\$(19,140)	\$(115,149)	\$(134,289)
Capital contribution	<u>3,931</u>	<u>3,932</u>	<u>7,863</u>
Change in net position	<u>\$(15,209)</u>	<u>\$(111,217)</u>	<u>(126,426)</u>
Total net position:			
Beginning			<u>4,260,326</u>
Ending			<u>\$4,133,900</u>

See notes to financial statements

GRIZZLY RANCH COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS
for the year ended June 30, 2019

Cash flows from operating activities:		
Receipts from customers		\$ 370,350
Payments to suppliers		(270,311)
Payments to employees		<u>(131,735)</u>
Net cash provided to operating activities		(31,696)
Cash flows from capital and related financing activities:		
Increase in capital assets	\$(64,464)	
Proceeds from long-term debt	625,000	
Capital contribution	<u>7,863</u>	568,399
Cash flows from investing activities:		
Interest income		<u>561</u>
Net increase in cash and cash equivalents		537,264
Cash at beginning of year		<u>466,924</u>
Cash at end of year		<u>\$1,004,188</u>
Reconciliation of cash and cash equivalents to statement of net position:		
Unrestricted – cash and cash equivalents		\$ 435,928
Restricted – cash and cash equivalents		<u>568,260</u>
		<u>\$1,004,188</u>

See notes to financial statements

GRIZZLY RANCH COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS, continued
for the year ended June 30, 2019

Reconciliation of operating income (loss) to net cash provided to operating activities:		
Operating income (loss)		\$(134,850)
Adjustments to reconcile operating loss to net cash provided to operating activities:		
Depreciation expense	\$ 180,053	
Changes in operating assets and liabilities:		
Accounts receivable	(66,039)	
Accounts payable	(10,287)	
Accrued liabilities	<u>(573)</u>	
		<u>103,154</u>
Net cash provided to operating activities		\$(<u>31,696</u>)

See notes to financial statements

GRIZZLY RANCH COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS

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

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 checking and savings is 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

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 savings accounts with a bank. Investments are stated at fair value. Such investment is within the State statutes.

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

3. Cash and Cash Equivalents:

At year-end the carrying amount of the District's deposits was \$1,004,188 and the bank balances were \$1,005,579. The bank balances were covered by Federal depository insurance and collateral held in the pledging bank's trust department as mandated by State law.

	Balance June 30, <u>2019</u>
Checking	\$ 410,884
Savings (2)	<u>593,304</u>
	<u>\$1,004,188</u>

Restricted Cash and Cash Equivalents:

At June 30, 2019 the District had \$568,260 in a bank savings account. Initial deposit of \$625,000 was proceeds from 2019 installment purchase agreement, a tax exempt obligation issued to finance the 2019 wastewater project.

4. Accounts Receivable:

Accounts receivable at June 30, 2019 consists of:

Customers	\$ 46,904
Standby – investors	<u>176,167</u>
	<u>\$ 223,071</u>

GRIZZLY RANCH COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

5. Capital Assets:

Changes in capital assets for the year ended June 30, 2019 are as follows:

<u>Water</u>	<u>Balance, 7/1/2018</u>	<u>Additions/ Transfers</u>	<u>Disposals</u>	<u>Balance, 6/30/2019</u>
Land	\$ 150,000	\$ 3,931	\$ -	\$ 153,931
Plant	330,100	-	-	330,100
Distribution	<u>3,051,538</u>	<u>-</u>	<u>-</u>	<u>3,051,538</u>
	<u>\$3,531,638</u>	<u>\$ 3,931</u>	<u>\$ -</u>	<u>\$3,535,569</u>
<u>Sewer</u>				
Land	\$ 100,000	\$ 3,932	\$ -	\$ 103,932
Plant	1,413,333	-	-	1,413,333
Collection system	<u>747,000</u>	<u>-</u>	<u>-</u>	<u>747,000</u>
	<u>\$2,260,333</u>	<u>\$ 3,932</u>	<u>\$ -</u>	<u>\$2,264,265</u>
<u>Work in Progress</u>				
Water plan renovation	\$ 16,567	\$ -	\$ -	\$ 16,567
Well & repair	27,981	-	-	27,981
SCADA renovation	54,036	-	-	54,036
Wastewater project	<u>27,684</u>	<u>56,601</u>	<u>-</u>	<u>84,285</u>
	<u>\$ 126,268</u>	<u>\$ 56,601</u>	<u>\$ -</u>	<u>\$ 182,869</u>

GRIZZLY RANCH COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

6. Net Position:

Net position at June 30, 2019 consists of:

Net investment in capital assets \$2,942,489

Unrestricted:

Board designated:

Working capital reserve \$ 25,000

Undesignated

1,166,411

1,191,411

\$4,133,900

GRIZZLY RANCH COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

7. Long-term Debt:

The following is a summary of the long-term debt activities for the year ended June 30, 2019:

	<u>Balance</u> <u>July 1, 2018</u>	<u>New Debt</u> <u>Issued</u>	<u>Debt</u> <u>Retired</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Current</u> <u>Portion</u>
Installment Purchase Agreement 2019 Wastewater Project	\$ <u>-</u>	\$ <u>625,000</u>	\$ <u>-</u>	\$ <u>625,000</u>	\$ <u>3,327</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. Effective in June 2020, 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, 2019 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 3,327	\$ 26,794	\$ 30,121
2021	40,860	25,855	66,715
2022	42,647	24,068	66,715
2023	44,511	22,204	66,715
2024	46,458	20,257	66,715
2025-2029	264,592	68,982	333,574
2030-2032	<u>182,605</u>	<u>11,980</u>	<u>194,585</u>
	<u>\$ 625,000</u>	<u>\$ 200,140</u>	<u>\$ 825,140</u>

GRIZZLY RANCH COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

8. GRCSD Wastewater Project:

The Grizzly Ranch CSD Wastewater Project was underway in August 2019. The CSD was able to obtain a project loan in the amount of \$625,000 for a term of 12 years. The first year would include interest only payments to allow for more flexibility during the initial construction period. The Project includes two phases. The first phase is 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. The first phase was completed in September, 2019 and the CSD is no longer incurring the expenses of Vault and Haul services which averaged \$200,000 annually prior to the project.

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 Treatment Facility. Therefore, the CSD is investing in retrofitting each grinder pump with a STEP septic pumping system. This system has proven to be more reliable and simpler to maintain through studies. 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 Treatment Facility. The second phase will be initiated with the remainder of the loan amount in the Spring of 2020. The remaining retrofits would continue to be phased in as conditions allow.

9. 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 2019 fiscal year, the District purchased certain commercial insurance coverages to provide for these risks.

10. Subsequent Events:

Management has evaluated subsequent events through November 6, 2019, the date these June 30, 2019 financial statements were available to be issued.

SUPPLEMENTAL DATA

GRIZZLY RANCH COMMUNITY SERVICES DISTRICT
PRINCIPAL OFFICIALS
June 30, 2019

Board of Directors:

Jim Miller	President
Vici Downing	Vice President
John Reynolds	Director
Mark Roberts	Director
Alex Hickman	Director

Operations:

Aaron Corr	General Manager
Brandy Allingham	Office Administrator/Bookkeeper