

**GRIZZLY RANCH COMMUNITY  
SERVICES DISTRICT**

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**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
for the year ended June 30, 2018**

**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, 2018, 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, 2018, 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*

The Management's Discussion and Analysis is not a required part of the financial statements but is supplemental information required by the Government Auditing Standards Board. Management has elected to omit the Management's Discussion and Analysis.

#### *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.

*Robert W. Johnson, An Accountant-Certified*

Citrus Heights, California  
October 15, 2018

GRIZZLY RANCH COMMUNITY SERVICES DISTRICT  
STATEMENT OF NET POSITION  
June 30, 2018

ASSETS

Current assets:

Cash and cash equivalents (Note 3)	\$ 466,924
Accounts receivable (Note 4)	<u>157,032</u>

Total current assets	623,956
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Capital assets, at cost (Notes 5 and 7):

Water	\$3,531,638
Sewer	<u>2,260,333</u>
	5,791,971
Less, accumulated depreciation	<u>2,235,161</u>
	3,556,810

Work in progress	<u>126,268</u>
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3,683,078

\$4,307,034

See notes to financial statements

LIABILITIES AND NET POSITION

Current liabilities:

Accounts payable	\$ 35,235
Accrued vacation	3,413
Payroll liabilities	<u>8,060</u>

Total current liabilities 46,708

Net position (Note 6):

Net investment in capital assets	\$3,683,078	
Unrestricted	<u>577,248</u>	<u>4,260,326</u>

\$4,307,034

GRIZZLY RANCH COMMUNITY SERVICES DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
for the year ended June 30, 2018

	<u>Water</u>	<u>Sewer</u>	<u>Combined</u>
Operating revenues:			
Water sales	\$ 41,072	\$ -	\$ 41,072
Sewer service	-	42,749	42,749
Standby revenue	170,555	177,517	348,072
Miscellaneous	6,871	6,870	13,741
Connection fees	<u>9,342</u>	<u>9,342</u>	<u>18,684</u>
 Total operating revenues	 <u>227,840</u>	 <u>236,478</u>	 <u>464,318</u>
Operating expenses:			
Source of supply	43,018	-	43,018
Treatment	73,824	-	73,824
Pumping	6,952	-	6,952
Transmission and distribution	52,622	-	52,622
Administration and general	47,835	34,540	82,375
Depreciation	82,072	109,384	191,456
Collection	-	46,828	46,828
Disposal	<u>-</u>	<u>159,516</u>	<u>159,516</u>
 Total operating expenses	 <u>306,323</u>	 <u>350,268</u>	 <u>656,591</u>
 Operating income (loss)	 <u>( 78,483)</u>	 <u>(113,790)</u>	 <u>( 192,273)</u>
Non-operating revenues (expenses):			
Interest income	<u>5,704</u>	<u>5,704</u>	<u>11,408</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, 2018

	<u>Water</u>	<u>Sewer</u>	<u>Combined</u>
Income (loss) before contributions (carried forward)	\$( 72,779)	\$(108,086)	\$( 180,865)
Capital contribution	<u>150,000</u>	<u>100,000</u>	<u>250,000</u>
Change in net position	<u>\$ 77,221</u>	<u>\$( 8,086)</u>	69,135
Total net position:			
Beginning			<u>4,191,191</u>
Ending			<u>\$4,260,326</u>

See notes to financial statements



GRIZZLY RANCH COMMUNITY SERVICES DISTRICT  
STATEMENT OF CASH FLOWS  
for the year ended June 30, 2018

Cash flows from operating activities:		
Receipts from customers		\$ 405,640
Payments to suppliers		( 326,190)
Payments to employees		<u>( 136,722)</u>
Net cash provided to operating activities		( 57,272)
Cash flows from capital and related financing activities:		
Increase in capital assets	\$(276,182)	
Capital contribution	<u>250,000</u>	( 26,182)
Cash flows from investing activities:		
Interest income		<u>11,408</u>
Net decrease in cash and cash equivalents		( 72,046)
Cash at beginning of year		<u>538,970</u>
Cash at end of year		<u>\$ 466,924</u>

See notes to financial statements

GRIZZLY RANCH COMMUNITY SERVICES DISTRICT  
STATEMENT OF CASH FLOWS, continued  
for the year ended June 30, 2018

Reconciliation of operating income (loss) to net cash provided to operating activities:		
Operating income (loss)		\$( 192,273)
Adjustments to reconcile operating loss to net cash provided to operating activities:		
Depreciation expense	\$ 191,456	
Changes in operating assets and liabilities:		
Accounts receivable	( 72,365)	
Prepaid	4,687	
Accounts payable	10,798	
Accrued liabilities	<u>425</u>	
		<u>135,001</u>
Net cash provided to operating activities		\$( <u>57,272</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.

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.



GRIZZLY RANCH COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies, continued:

Statement of Cash Flows

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

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 a savings account with a bank. Investments are stated at market 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.

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

GRIZZLY RANCH COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies, continued:

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

3. Cash and Investments:

At year-end the carrying amount of the District's deposits was \$466,924 and the bank balances were \$468,336. 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>2018</u>
Checking	\$ 441,918
Savings	<u>25,006</u>
	<u>\$ 466,924</u>

4. Accounts Receivable:

Accounts receivable at June 30, 2018 consists of:

Customers	\$ 63,266
Standby – investors	89,504
– other	<u>4,262</u>
	<u>\$ 157,032</u>



GRIZZLY RANCH COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

5. Capital Assets:

Changes in capital assets for the year ended June 30, 2018 are as follows:

<u>Water</u>	<u>Balance, 7/1/2017</u>	<u>Additions/ Transfers</u>	<u>Disposals</u>	<u>Balance, 6/30/2018</u>
Land	\$ -	\$ 150,000	\$ -	\$ 150,000
Plant	330,100	-	-	330,100
Distribution	<u>3,051,538</u>	<u>-</u>	<u>-</u>	<u>3,051,538</u>
	<u>\$3,381,638</u>	<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$3,531,638</u>
<u>Sewer</u>				
Land	\$ -	\$ 100,000	\$ -	\$ 100,000
Plant	1,413,333	-	-	1,413,333
Collection system	<u>747,000</u>	<u>-</u>	<u>-</u>	<u>747,000</u>
	<u>\$2,160,333</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$2,260,333</u>
<u>Work in Progress</u>				
Water plan renovation	\$ 10,624	\$ 5,943	\$ -	\$ 16,567
Well & repair	27,981	-	\$ -	27,981
SCADA renovation	54,036	-	-	54,036
Wastewater project	<u>7,445</u>	<u>20,239</u>	<u>-</u>	<u>27,684</u>
	<u>\$ 100,086</u>	<u>\$ 26,182</u>	<u>\$ -</u>	<u>\$ 126,268</u>

GRIZZLY RANCH COMMUNITY SERVICES DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued

6. Net Position:

Net position at June 30, 2018 consists of:

Net investment in capital assets		\$3,683,078
Unrestricted:		
Board designated:		
Working capital reserve	\$ 25,000	
Undesignated	<u>552,248</u>	
		<u>577,248</u>
		<u>\$4,260,326</u>

7. Wastewater Project:

The Grizzly Ranch wastewater treatment facility was built for service in 2007; however, the treatment facility was never put into operation. The facility was built to provide treatment for full build out and has never received sufficient flow to operate. The District operates on a low-pressure sewer system. This means that effluent is pumped from each residential and commercial service in the District to the existing wastewater treatment facility. However, the effluent product ends up in a vault to be pumped out at a cost.

Every year since, the Grizzly Ranch CSD has paid an average of \$200,000 annually to have the District's sewage pumped from the facility vaults by Plumas Sanitation. Since the CSD has become independently managed and operated in fiscal year 17/18, we have made great strides to resolve this matter. The first accomplishment was to successfully renegotiate the vault and haul costs to Plumas Sanitation from .17 cents/gal to .13 cents/gal. The second accomplishment is that the CSD was successfully able to obtain approval from Plumas County Division of Environmental Health to convert the existing grinder pump disposal system located at each residential home and commercial site to a STEP septic pumping system. This system would be more reliable and cost efficient as well as providing a better quality effluent product to be treated and recycled onsite. New homes are installing the STEP systems per spec upon construction and the existing grinder pumps in the District will eventually be phased in by the CSD.

The CSD has recently proposed a way to modify the existing wastewater treatment facility to operate and treat the wastewater onsite, which would effectively end the vault and haul service costs. This project has been accepted by both the State of California and Plumas County Environmental Services. The CSD is currently working on funding options and foresee beginning this retrofit project in spring of 2019. The total projected costs of the wastewater treatment facility project is estimated to be \$500,000.



GRIZZLY RANCH COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued

8. 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 2018 fiscal year, the District purchased certain commercial insurance coverages to provide for these risks.

9. Subsequent Events:

Management has evaluated subsequent events through October 15, 2018, the date these June 30, 2018 financial statements were available to be issued.

SUPPLEMENTAL DATA



GRIZZLY RANCH COMMUNITY SERVICES DISTRICT  
PRINCIPAL OFFICIALS  
June 30, 2018

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
Janean Lohn	Bookkeeper