

**GRIZZLY LAKE 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 Lake Community Services District
Portola, California

Report on the Financial Statements

We have audited the accompanying financial statements of Grizzly Lake 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 not sufficient to express an opinion on the results of operations and cash flows for the year ended June 30, 2019. Our inability to obtain sufficient audit evidence was due to the incomplete accounting for District revenues and expenses.

Opinion

In our opinion, the balance sheet of Grizzly Lake Community Services District presents fairly, in all material respects, the financial position of Grizzly Lake Community Services District as of June 30, 2019, 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 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 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 John, An Accountant Corporation

Citrus Heights, California
August 27, 2020

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

ASSETS

Current assets:

Cash and cash equivalents (Note 3)	\$ 40,888
Accounts receivable – billings	38,788
– liens	124,925
Employee advances	752
Prepaid payroll taxes	<u>2,059</u>
 Total current assets	 207,412

Capital assets, at cost (Notes 4 and 5)	\$2,138,009	
Less, accumulated depreciation	<u>1,027,959</u>	
	1,110,050	
 Work in progress	 <u>117,963</u>	 1,228,013
 Restricted cash (Note 3)		 <u>158,951</u>
		<u>\$1,594,376</u>

See notes to financial statements

LIABILITIES AND NET POSITION

Current liabilities:

Current portion of long-term debt (Note 5)		\$ 7,000
Accounts payable		85,589
Compensated absences		4,724
Accrued liabilities – payroll taxes		<u>-</u>
Total current liabilities		97,313

Long-term debt:

COP's net of current portion (Note 5)	\$ 319,000	
Grant advances (Note 10)	<u>93,903</u>	<u>412,903</u>
Total liabilities		510,216

Net position (Note 6):

Net investment in capital assets	902,013	
Restricted	29,257	
Unrestricted	<u>152,890</u>	<u>1,084,160</u>
		<u>\$1,594,376</u>

GRIZZLY LAKE 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:			
Water sales	\$ 150,384	\$ -	\$ 150,384
Debt service fee	19,193	-	19,193
Hook up fees	1,815	1,815	3,630
Sewer service	-	150,384	150,384
Septage receiving	-	20,034	20,034
Other	<u>13,844</u>	<u>17,064</u>	<u>30,908</u>
Total operating revenues	<u>185,236</u>	<u>189,297</u>	<u>374,533</u>
Operating expenses:			
Source of supply	35,266	-	35,266
Pumping	30,500	-	30,500
Transmission and distribution	51,500	-	51,500
Administration and general	66,950	70,411	137,361
Depreciation	22,499	6,383	28,882
Collection	-	55,643	55,643
Treatment	<u>-</u>	<u>95,122</u>	<u>95,122</u>
Total operating expenses	<u>206,715</u>	<u>227,559</u>	<u>434,274</u>
Operating income (loss)	(<u>21,479</u>)	(<u>38,262</u>)	(<u>59,741</u>)
Non-operating revenues			
(expenses):			
Property taxes	11,540	11,540	23,080
Interest income	68	-	68
Interest expense	(14,153)	-	(14,153)
Cash shortage	(8,765)	(8,765)	(17,530)
Sewer grant income	-	110,801	110,801
Sewer grant expenditures	<u>-</u>	<u>(109,425)</u>	<u>(109,425)</u>
	(<u>11,310</u>)	<u>4,151</u>	(<u>7,159</u>)
Income (loss)			
before contributions			
(carried forward)	(32,789)	(34,111)	(66,900)

See notes to financial statements

GRIZZLY LAKE 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)	\$(32,789)	\$(34,111)	\$(66,900)
Capital contributions	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	\$(<u>32,789</u>)	\$(<u>34,111</u>)	(66,900)
Total net position:			
Beginning			<u>1,151,060</u>
Ending			<u>\$1,084,160</u>

See notes to financial statements

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

Cash flows from operating activities:		
Receipts from customers		\$ 352,858
Payments to suppliers		(210,902)
Payments to employees		(<u>148,263</u>)
Net cash provided to operating activities		(6,307)
Cash flows from noncapital financing activities:		
Property taxes	\$ 23,080	
Cash shortage	(<u>17,530</u>)	5,550
Cash flows from capital and related financing activities:		
Purchase of capital assets	(59,544)	
Long-term debt – principal paid	(7,000)	
Long-term debt – interest expense	(14,153)	
Grant advances	24,852	
Sewer grant income	110,801	
Sewer grant expenditures	(<u>109,425</u>)	(54,469)
Cash flows from investing activities:		
Interest income		<u>68</u>
Net decrease in cash and cash equivalents		(55,158)
Cash at beginning of year		<u>254,997</u>
Cash at end of year		\$ <u><u>199,839</u></u>

See notes to financial statements

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

Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)		\$(59,741)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense	\$ 28,882	
Changes in operating assets and liabilities:		
Receivables	(22,427)	
Prepaid expenses	(2,059)	
Accounts payable	44,969	
Accrued liabilities	<u>4,069</u>	
		<u>53,434</u>
Net cash provided to operating activities		\$(<u>6,307</u>)
Supplementary information:		
Cash paid for interest		\$ <u>14,153</u>

See notes to financial statements

GRIZZLY LAKE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2019

1. Organization:

Grizzly Lake Community Services District (the "District") was formed in 1959 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 Lake 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. Minor costs associated with the park have been allocated 50/50 to water and sewer. 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 LAKE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2019

2. Summary of Significant Accounting Policies, continued:

Basis of Accounting, continued

Operating revenues and expenses, such as water sales along with water purchases, 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.

Property Taxes

The District receives property taxes from Plumas County. Property taxes receivable are recorded in the fiscal year for which the tax is levied based on the assessed value as of September 1 of the preceding fiscal year. They become a lien on the first day of the year they are levied. Secured property tax is levied on September 1 and due in two installments, on November 1 and March 1. They become delinquent on December 10 and April 10, respectively. Unsecured property taxes are due on July 1, and become delinquent on August 31. The District elected to receive the property taxes from the County under the Teeter Bill Program. Under this Program, the District receives 100% of the levied property taxes in periodic payments, with the County assuming responsibility for delinquencies.

Property tax revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period.

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 LAKE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2019

2. Summary of Significant Accounting Policies, continued:

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents, including restricted assets. Cash in banks, deposits in the State of California Local Agency Investment Fund (LAIF) and deposits with fiscal agents are considered to be cash and cash equivalents.

Compensated Absences

Vested or accumulated vacation and sick pay that is expected to be liquidated with expendable available financial resources is reported as an expense and as a current liability.

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 LAIF (State of California Pooled Investment Fund). Investments are stated at fair value. Such investment is within the State statutes and the District's investment policy.

Expense Allocation

Expenses are allocated to water and sewer as follows:

Direct expenses – by specific utility

Other expenses – 50/50

Payroll and payroll related – by timesheet

GRIZZLY LAKE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2019

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 Cash Equivalents:

At year-end the carrying amount of the District's deposits was \$199,839 and the bank balances were \$248,772. The bank balance was covered by Federal depository insurance and collateral held in the pledging bank's trust department as mandated by State law.

Balance
June 30,
2019

Unrestricted:

Petty cash	\$ 50
Checking	40,181
LAIF	<u>657</u>
	<u>\$ 40,888</u>

Restricted:

Savings – loan reserve and debt service	\$ 32,052
Savings – capital improvements	<u>126,899</u>
	<u>\$ 158,951</u>

GRIZZLY LAKE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2019

4. 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>
Water systems	\$ 913,246	\$ -	\$ -	\$ 913,246
Crocker Mt. Project	647,252	-	-	647,252
Telemetry	<u>16,009</u>	<u>-</u>	<u>-</u>	<u>16,009</u>
	<u>\$1,576,507</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,576,507</u>
 <u>Sewer</u>	 <u>Balance, 7/1/2018</u>	 <u>Additions/ Transfers</u>	 <u>Disposals</u>	 <u>Balance, 6/30/2019</u>
Delleker Pond improvements	\$ 25,016	\$ -	\$ -	\$ 25,016
Sewer System	339,202	-	-	339,202
Equipment	<u>20,187</u>	<u>27,813</u>	<u>-</u>	<u>48,000</u>
	<u>\$ 384,405</u>	<u>\$ 27,813</u>	<u>\$ -</u>	<u>\$ 412,218</u>
 <u>General</u>	 <u>Balance, 7/1/2018</u>	 <u>Additions/ Transfers</u>	 <u>Disposals</u>	 <u>Balance, 6/30/2019</u>
Building and land	\$ 62,000	\$ -	\$ -	\$ 62,000
General fixed assets	40,278	-	-	40,278
Park	<u>47,006</u>	<u>-</u>	<u>-</u>	<u>47,006</u>
	<u>\$ 149,284</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 149,284</u>
 Total capital assets	 <u>\$2,110,196</u>	 <u>\$ 27,813</u>	 <u>\$ -</u>	 <u>\$2,138,009</u>
 Work in progress – water project	 <u>\$ 86,232</u>	 <u>\$ 31,731</u>	 <u>\$ -</u>	 <u>\$ 117,963</u>

GRIZZLY LAKE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2019

5. Long-Term Debt:

Long-term debt activities for the year ended June 30, 2019 are as follows:

	<u>2018</u>	<u>New Debt Issued</u>	<u>Debt Retired</u>	<u>2019</u>	<u>Current Portion</u>
Certificates of Participation	<u>\$333,000</u>	<u>\$ -</u>	<u>\$ 7,000</u>	<u>\$326,000</u>	<u>\$ 7,000</u>

Certificate of Participation, USDA, Crocker Tank Project, payable through 2045; 4 ¼% interest payable May 1 and November 1.

GRIZZLY LAKE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2019

5. Long-Term Debt, continued:

The future annual maturities of all long-term borrowings as of June 30, 2019 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 7,000	\$ 13,855	\$ 20,855
2021	7,000	13,557	20,557
2022	8,000	13,260	21,260
2023	8,000	12,920	20,920
2024	8,000	12,580	20,580
2025-2029	48,000	57,247	105,247
2030-2034	59,000	46,198	105,198
2035-2039	72,000	32,640	104,640
2040-2044	93,000	15,853	108,853
2045	<u>16,000</u>	<u>680</u>	<u>16,680</u>
	<u>\$ 326,000</u>	<u>\$ 218,790</u>	<u>\$ 544,790</u>

6. Net Position:

Net position at June 30, 2019 consists of:

Net investment in capital assets		\$ 902,013
Restricted		
Debt service reserve	\$ 20,830	
Short-lived asset reserve	<u>8,427</u>	29,257
Unrestricted		
Board designated:		
Capital improvement reserve	\$ 128,246	
Meter reserve	<u>-</u>	
	128,246	
Undesignated	<u>24,644</u>	<u>152,890</u>
		<u>\$1,084,160</u>

GRIZZLY LAKE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2019

7. Risk of Loss:

Grizzly Lake 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.

8. Subsequent Events:

Management has evaluated subsequent events through August 27, 2020, the date these June 30, 2019 financial statements were available to be issued.

9. Contingency:

Due to lack of funding in 2014, the District violated on 5 of the 8 scheduled state license Compliance Requirements. The District is communicating with the State in an effort to avoid any further fines.

10. Projects:

The Board of Directors has authorized both water and wastewater construction projects to be financed by grants from the California State Revolving Fund and Clean Water State Revolving Fund, respectively.

At June 30, 2019 the District has spent \$117,963 on the planning phase of the water project. Grant receipts for the water project through June 30, 2019 amounted to \$93,903.

The sewer project consists of cleaning and cameraing the Delleker manholes/sewer systems. It also consists of well monitoring at the WWTP. Sewer grant revenues and expenditures are being recorded on an annual basis to operations.

SUPPLEMENTAL DATA