# GROVELAND
# COMMUNITY SERVICES DISTRICT

## TUOLUMNE COUNTY
## GROVELAND, CALIFORNIA

## FINANCIAL STATEMENTS WITH
## INDEPENDENT AUDITOR'S REPORT

## YEAR ENDED JUNE 30, 2023

# GROVELAND COMMUNITY SERVICES DISTRICT

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# GROVELAND COMMUNITY SERVICES DISTRICT

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BRYANT L. JOLLEY
CERTIFIED PUBLIC ACCOUNTANTS

Bryant L. Jolley C.P.A.
Ryan P. Jolley C.P.A.
Darryl L. Smith C.P.A.
Luis A. Perez C.P.A.
Lan T. Kimoto

# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Groveland Community Services District
Groveland, California

## Report on the Audit of the Financial Statements

### *Opinions*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Groveland Community Services District (the District) as of and for the year ended June 30, 2023, 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 respective financial position of the governmental activities, the business-type activities, and each major fund of the District, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinions*

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 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 opinions.

### *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 the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### *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*

901 "N" STREET, SUITE 104 FIREBAUGH, CALIFORNIA 93622 PHONE 559.659.3045 FAX 559.659.0615

*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 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 the 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 the 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***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedules, the Schedule of Changes in the District's Net OPEB Liability and Related Ratios, the Schedule of the District's Proportionate Share of the Net Pension Liability and, the Schedule of Contributions on pages 4 – 19 and pages 51 – 55 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards, as 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 December 5, 2023, on our consideration of the 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 District's 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 the District's internal control over financial reporting and compliance.

December 5, 2023

California law establishes the structure and process for governance, management and administration of the Groveland Community Services District (District or GCSD), and its financial affairs. A five member Board of Directors are elected at large from within the District boundaries, to serve four year staggered terms. The Board appoints a General Manager who is responsible for the day to day management of the District financial affairs, administered in accordance with policies adopted by the Board.

## FINANCIAL POLICIES AND GUIDELINES

The financial integrity of GCSD is of utmost importance. Maintaining fiscal stability is a critical component of the overall financial plan. GCSD is accountable to its ratepayers and the public for the use of public funds. Resources should be used wisely to ensure adequate funding for services, public facilities and infrastructure necessary to meet present and future needs. GCSD's financial policies and guidelines provide the backbone for making financial decisions and a benchmark for monitoring financial activities.

### General Financial Policy Guidelines

The GCSD Board has adopted financial policies to provide a framework to guide the District's decision-making with respect to operations, budgeting, debt issuance, and financial planning. These guidelines provide overview policy guidelines in the areas of general, revenue, budgeting and expenses, reserves, investments, debt management, capital improvements, purchasing and fixed assets.

These policies require that:

- The District will manage its financial assets in a sound and prudent manner.
- The District will maintain and further develop programs to assure its long-term ability to pay all the costs necessary to provide the level and quality of service required by its customers.

These policies are to promote sound financial management and to ensure that its finances are managed in a manner, which will:

- Support the continued delivery of quality services in compliance with legal and regulatory requirements and at a level meeting or exceeding industry standards,
- Ensure the District's stability, efficiency and effectiveness in accomplishing the Board of Director's goals and objectives for the long term,
- Maintain a balanced budget annually to ensure that the District is operating within its revenue constraints, even when faced with fluctuating service demands, and
- Maintain adequate reserves necessary to meet known and unknown future obligations.

The financial policies of the District are summarized below:

### Investment Policy

The District's *Investment Policy* follows California Government Code objectives of safety, liquidity and yield (in that priority order). Annually during the budget development process of each year, the policy is reviewed and readopted by the Board of Directors to ensure GCSD's Investment Policy is up-to-date with current regulations. The General Manager also serves as the District's Treasurer who annually reviews the Investment Policy and as necessary, submits recommended revisions to the Board for their annual consideration and approval. The investing process is carefully monitored to ensure compliance with the Investment Policy and other applicable regulations.

### Budget Policy

The budget policy defines the budget process for both the operating and CIP budgets. This policy provides guidance to District personnel performing budgetary process functions. The policy requires balanced budgets, which will serve as a financial plan to promote financial stability while accomplishing the Board's goals and objectives.

### Reserve Policy

The District's *Reserve Policy,* is designed to distinguish between Legally Restricted Reserves and Board Designated Reserves, establish distinct purposes for each reserve category, set funding targets and accumulation levels for reserves, and identify events or conditions prompting use. The Reserve Policy provides guidance for establishing, funding and using reserves to meet known future obligations and unforeseen needs as deemed prudent and/or required by agreement. As available and deemed appropriate, Board Designated Reserves are funded to reserves in the following broad categories: operational and contingencies, capital facilities and equipment, and debt service.

### Debt Management Policy

The policy is intended to provide guidance for debt structure, its justification and evaluation. The primary objective of the Debt Management Policy is to establish conditions for the use of debt and to create procedures and policies that minimize GCSD's debt service and issuance costs, retain the highest practical credit rating, and maintain full and complete financial disclosure and reporting.

### Procurement Policy

The District's *Expense Authorization* policy provides the framework and guidelines for District purchases and contracts. This policy covers all District procurement activities (commodity and service purchases and public works contracts) and adheres to Government Code Section 54202 that requires local governmental agencies to adopt policies and procedures including "bidding regulations, governing purchases of supplies and equipment."

## DISTRICT ADMINISTRATION AND RELATED EXPENSES

All GCSD administrative, or overhead expenses are budgeted annually in their own category for transparency and evaluation purposes. The salary and benefits of office staff, office expense, insurance, board expenses and other basic costs incurred to administer the affairs of the District, regardless of the services provided, are accounted for in the administrative expense. As a standard practice in allocating District administrative expenses, costs are distributed to the various services provided, at an allocation percentage based on the level of administrative effort that goes into delivering the respective service.

Beginning in 2018/19, GCSD began allocating the administrative expenses to each of its service funds based on an appropriate percentage of benefit derived. Prior to 2018/19, GCSD distributed the administrative expense only to the water, sewer and fire services, with very little to nothing, charged to park service expenses. There is most obviously a benefit derived by the park service by sharing office administrative expenses with other services; since if these services were provided by a separate special district, there would be expenses for a separate office, staff and Board expenses in an amount that would certainly exceed the shared administrative expenses of a CSD.

As management of the District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2023. We encourage the readers to consider the information presented here in conjunction with the District's basic financial statements, which immediately follow this section. We also encourage readers to attend GCSD Board meetings to become familiar with District governance and operations and to provide public input. The Board meets in regular session on the second Tuesday of each month. Regular meetings are held at 10:00 a.m. at the District Office, 18966 Ferretti Road, Groveland, California. Board meetings are open to the public to attend physically or virtually via technology platforms such as Zoom. All meeting agendas and supporting materials are available on the District website in advance of the Board meetings and archived at **www.gcsd.org** .

### OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required supplementary information intended to furnish additional detail to support the basic financial statements.

- **Government-wide financial statements**, which comprise the first two statements presented, provide both short-term and long-term information about the District's overall financial position. These statements are intended to provide the reader with a broad overview of the District's finances in a manner that is similar to that used by private-sector businesses.

  - The statement of net position presents financial information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Increases or decreases in the net position of the District over time are indicators of whether its financial position is improving or deteriorating, respectively.

  - The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses may be reported in the current period for some items that will only result in cash flows in future fiscal periods, or for which the cash flows have already occurred.

  - Both the statement of net position and the statement of activities distinguish between two types of activities carried out by the District: governmental activities, which are principally supported by property taxes, and business-type activities, which are intended to recover all or a significant portion of their costs through charges for services. The governmental activities of the District include fire protection and parks and recreation. The business-type activities of the District include water, sewer, and the Davis-Grunsky fund.

- **Fund financial statements.** A fund is a grouping of related accounts that is used to maintain separate accountability for resources that have been segregated for specific activities or objectives. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and the fiduciary fund.
  - **Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds focus on near-term inflows and outflows of spendable resources. Such information may be useful in assessing a government's near-term financial requirements and legal compliance. Because this information does not encompass the additional long-term focus of the government-wide statements, a reconciliation to the governmental fund statements is provided to explain the differences (or relationships) between them.
  - **Proprietary funds –** The District's proprietary funds, which are enterprise funds, are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail.
  - **Fiduciary fund –** The District is responsible for the administration of the Improvement Districts (Sewer Assessment Districts Nos. 3 and 4) formed under the Municipal Improvement Act of 1911. The District is not obligated to repay the special assessment debt of these special assessment districts. Tuolumne County (County) functions as an agent for the property owners by collecting assessments and forwarding collections to the special assessment debt holders. The County has sufficient funds on hand to pay off these debts.
- **Notes to the financial statements**, which are included in the financial statements, provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.
- **Required supplementary information** provides further explanations and additional support for the financial statements. The District's budget to actual comparisons for the year are included for the Fire Protection Fund and the Parks and Recreation Fund (major special revenue funds).

## GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

### Net Position

Net position over time may serve as a useful indicator of a government's financial position. For the District as a whole, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $22,906,643 as of June 30, 2023. This amount represents the District's net position.

The largest portion (67%) of the District's net position reflects its investment in capital assets (e.g., land, construction in progress, structures and improvements, furnishing and equipment, and vehicles) less any related outstanding debt that was used to acquire those assets. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources used to pay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Restricted net position of $1,472,986 is restricted for the receipt of advanced funding or externally required to be held separately by grantors. The remaining balance of $6,161,828 is unrestricted and may be used to meet the District's ongoing obligations. The District accounts for this unrestricted fund balance separately for Water, Sewer, (the Business Type Activities), and Fire and Park Services (the Government Type activities), based on amounts budgeted and spent each year in accordance with adopted fund balance and reserve policies.

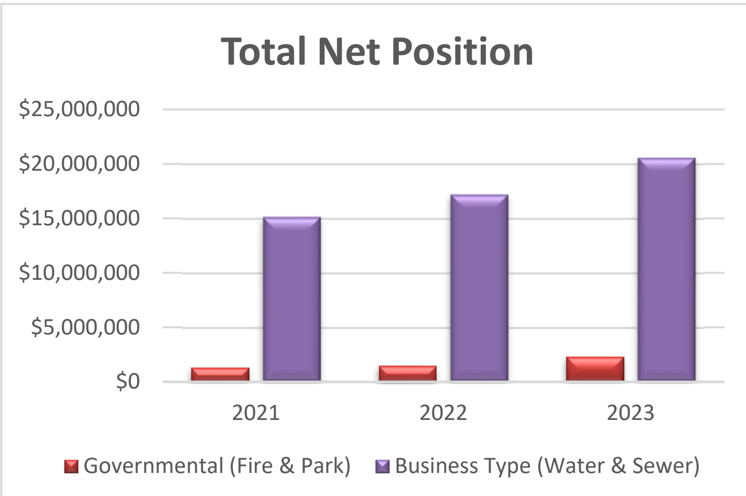
| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Current assets and other assets | $ 1,441,734 | $ 1,166,715 | $10,783,250 | $ 9,351,656 | $ 12,224,984 | $ 10,518,371 |
| Capital assets | 2,078,710 | 1,029,599 | 20,592,444 | 16,453,903 | 22,671,154 | 17,483,502 |
| Total assets | 3,520,444 | 2,196,314 | 31,375,694 | 25,805,559 | 34,896,138 | 28,001,873 |
| Total deferred outflows of resources | 76,767 | 143,770 | 1,607,943 | 729,159 | 1,684,710 | 872,929 |
| Long-term liabilities | 544,027 | 393,743 | 8,662,917 | 6,811,784 | 9,206,944 | 7,205,527 |
| Other liabilities | 339,787 | 50,710 | 3,235,914 | 465,619 | 3,575,701 | 516,329 |
| Total liabilities | 883,814 | 444,453 | 11,898,831 | 7,277,403 | 12,782,645 | 7,721,856 |
| Total deferred inflows of resources | 371,326 | 365,202 | 520,234 | 2,069,599 | 891,560 | 2,434,801 |
| Net position: | | | | | | |
| Net investment in capital assets | 2,068,008 | 1,029,599 | 13,203,821 | 11,444,640 | 15,271,829 | 12,474,239 |
| Restricted | 276,239 | - | 1,196,747 | | | |
| Unrestricted | (2,176) | 500,830 | 6,164,004 | 5,743,076 | 6,161,828 | 6,243,906 |
| Total net position | $ 2,342,071 | $ 1,530,429 | $20,564,572 | $17,187,716 | $ 22,906,643 | $ 18,718,145 |

## Changes in Net Position

The net position of the District as a whole was $22,906,643 as of June 30, 2023. This is an overall increase in net position of $4,004,725 from the prior year. Total investment in capital assets of $15,271,829 represents the net book value of capital assets, less bonds payable plus unspent bond proceeds. Total net position increased mainly due to the increase in net position for the Water Fund and Sewer Fund in which the reserves will be used for future capital projects as noted in the "Factors Bearing on the District's Future" section of the MD&A.

**Governmental activities –** The net position for governmental activities as of June 30, 2023 was $2,342,071. This is an overall increase in net position of $811,642 from the prior year; primarily the result of property tax revenue increases and decreases in overall expenses. Management has taken various actions to reduce expenses to neutralize the effect on governmental activities. Property values continue to increase slightly due to real estate market changes and higher overall assessed valuation, and therefore property tax revenue increased by 8.6%, $113,498 in FY2023. Total revenue exceeded total expenses which accounts for the increase in net position.

**Business-type activities –** For the District's business-type activities the net position as of June 30, 2023 was $20,564,572 as shown below. This is an overall increase in net position of $3,193,083 from the prior year. Total revenues exceeded expenses which accounts for the increase in net position. This is due primarily to receiving $716,000 in increased state grant reimbursements over the prior fiscal year. Also contributing to the increase in net position were revenue increases from water sales and sewage generation, as well as short term reductions in both water and sewer operating expenses. The net position was also positively impacted by changes in investments held by the District, generating $143,645 in revenue over that earned in Fiscal Year ending June 30, 2022.




| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** | **2023** | **2022** |
| Program revenues: | | | | | | |
| Charges for services | $ 2,660 | $ 3,120 | $ 6,106,999 | $ 6,091,031 | $ 6,109,659 | $ 6,094,151 |
| Capital grants and contributions | 41,336 | - | 2,467,767 | 1,751,144 | 2,509,103 | 1,751,144 |
| Operating grants and contributions | 45,001 | 23,226 | - | - | 45,001 | 23,226 |
| General revenues: | | | | | | |
| Property taxes | 1,436,628 | 1,323,130 | 128 | 3,880 | 1,436,756 | 1,327,010 |
| Interest income | 38,883 | 4,756 | 162,352 | 18,707 | 201,235 | 23,463 |
| State revenue | 246,491 | 237,483 | - | - | 246,491 | 237,483 |
| Federal Revenue | 257 | 2,231 | - | 20,535 | 257 | 22,766 |
| Other revenues | 84,158 | 67,766 | 8,355 | 1,512 | 92,513 | 69,278 |
| Loss on disposal of capital asset | (16,448) | (3,751) | (146,605) | (3,700) | (163,053) | (7,451) |
| Total revenues | 1,878,966 | 1,657,961 | 8,598,996 | 7,883,109 | 10,477,962 | 9,541,070 |
| Expenses: | | | | | | |
| Public safety | 894,675 | 1,311,632 | - | - | 894,675 | 1,311,632 |
| Parks and recreation | 172,649 | 156,913 | - | - | 172,649 | 156,913 |
| Water | - | - | 2,892,556 | 3,196,193 | 2,892,556 | 3,196,193 |
| Davis-Grunsky | - | - | - | 97 | - | 97 |
| Sewer | - | - | 2,513,357 | 2,620,464 | 2,513,357 | 2,620,464 |
| Total expenses | 1,067,324 | 1,468,545 | 5,405,913 | 5,816,754 | 6,473,237 | 7,285,299 |
| Change in net position | 811,642 | 189,416 | 3,193,083 | 2,066,355 | 4,004,725 | 2,255,771 |
| Net position - beginning of year, as previously reported | 1,530,429 | 1,341,013 | 17,187,716 | 15,121,361 | 18,718,145 | 16,462,374 |
| Cumulative effect of prior period adjustment | - | - | 183,773 | - | - | - |
| Net position - beginning, as restated | 1,530,429 | 1,341,013 | 17,371,489 | 15,121,361 | 18,901,918 | 16,462,374 |
| Net position - ending | $ 2,342,071 | $ 1,530,429 | $20,564,572 | $17,187,716 | $22,906,643 | $18,718,145 |

**Designated Reserves -** Also funded by the water and sewer rate increases were water and sewer infrastructure and equipment replacement reserves established beginning in fiscal year 2015/16 for the water fund and in 2018/19 for the sewer fund. The designated reserves were created specifically to fund annually budgeted equipment and infrastructure expenses, with any remaining amount of the annual allocations set aside to accumulate to fund future important projects. In addition to any budgeted capital outlay, the designated sewer reserves established a $100,000 set aside specifically to fund infrastructure replacement or improvements required. A summary of the designated reserves are shown below:

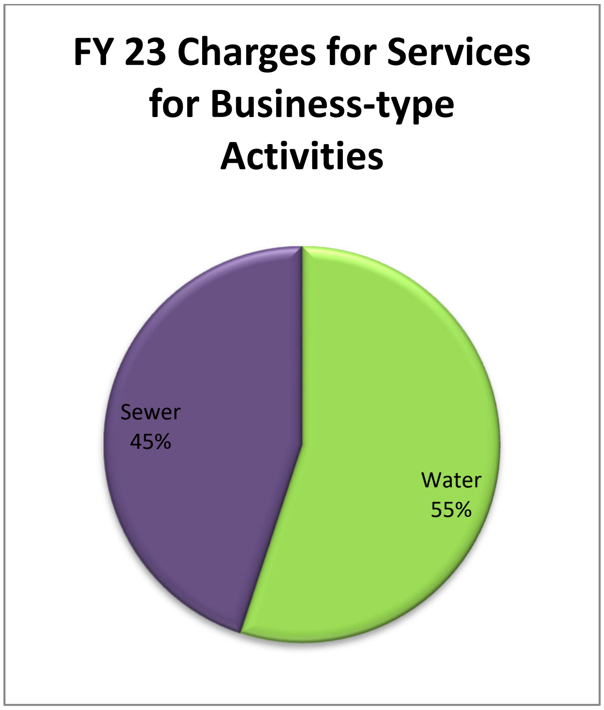
## Infrastructure and Equipment Reserves

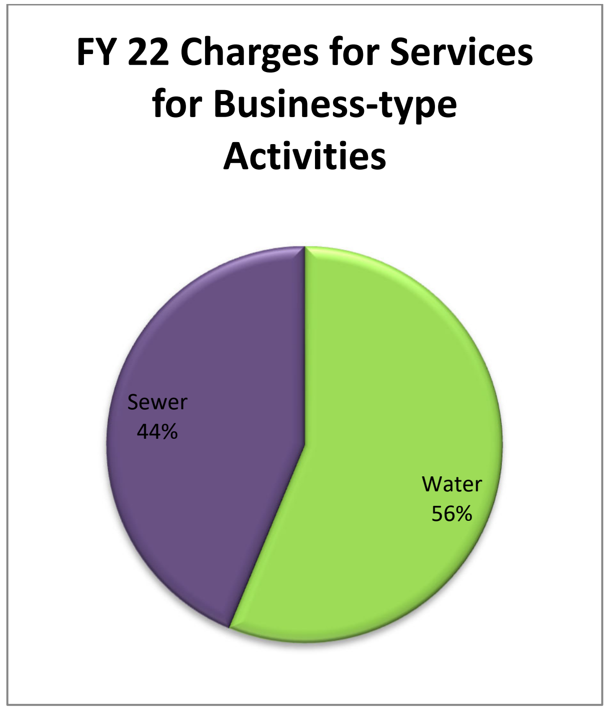
| Fiscal Year | Water (Annual Capital Outlay & Reserved) | Sewer (Annual Capital Outlay) | Sewer (Reserve) |
|---|---|---|---|
| 2015/16 | $ 450,000 | $ - | $ - |
| 2016/17 | $ 463,500 | $ - | $ - |
| 2017/18 | $ 477,405 | $ - | $ - |
| 2018/19 | $ 491,727 | $ 300,000 | $ 100,000 |
| 2019/20 | $ 506,479 | $ 300,000 | $ 100,000 |
| 2020/21 | $ 506,479 | $ 300,000 | $ 100,000 |
| 2021/22 | $ 506,479 | $ 300,000 | $ 100,000 |
| 2022/23 | $ 506,479 | $ 300,000 | $ 100,000 |
| **Total** | **$ 3,908,548** | **$ 1,500,000** | **$ 500,000** |
| | | | |
| **Capital Expenditures*** | $ 8,972,069 | $ 7,060,694 | $ - |
| **Grants Received**** | $ (5,099,633) | $ (3,357,803) | $ - |
| **Reserve Balance** | **$ 36,112** | **$ (2,202,891)** | **$ 500,000** |

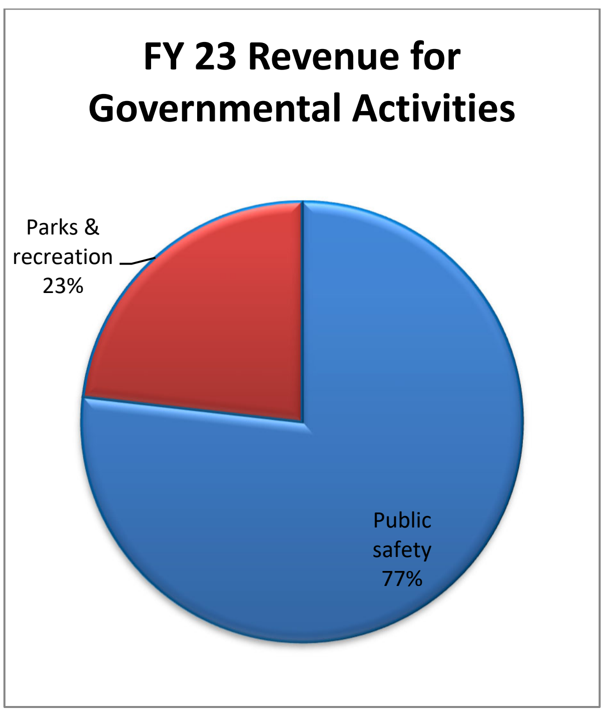
* Infrastructure and Equipment Expenditures from Date Reserves Established in FY 2015/16 (water) and 2018/19 (sewer)

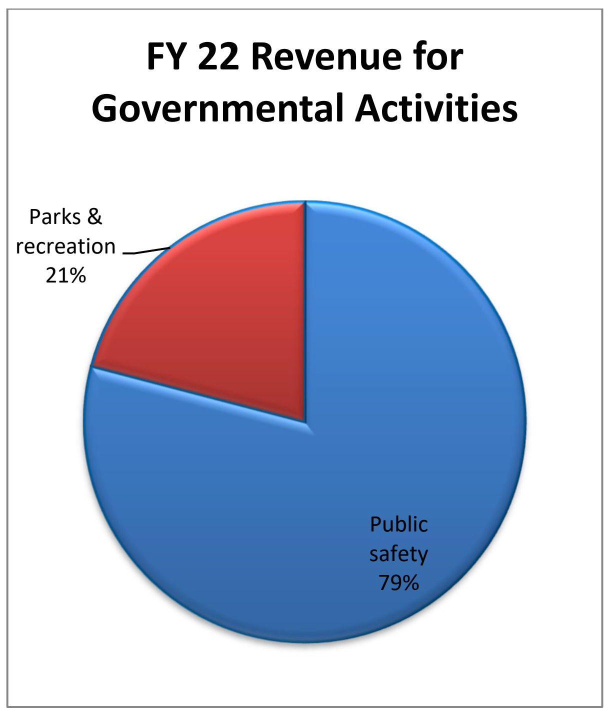
** Grants Received for Infrastructure and Equipment from Date Reserves Established in FY 2015/16 (water) and 2018/19 (sewer)

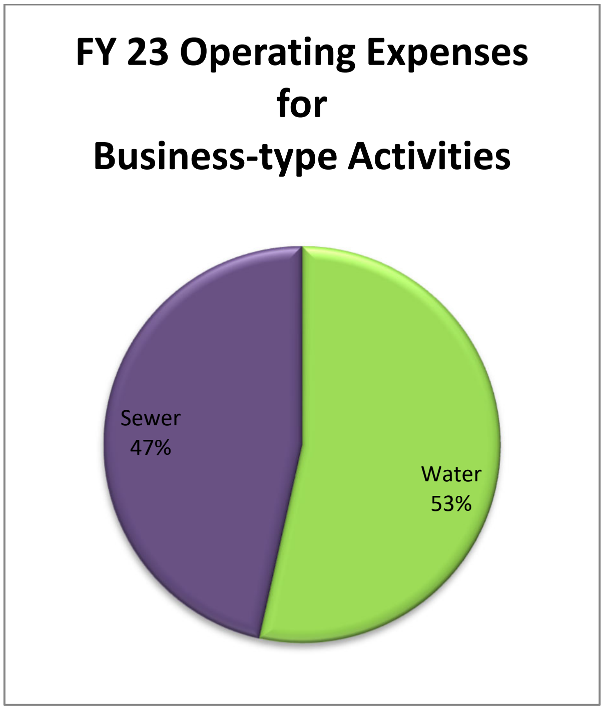
Since established, the water and sewer rate increases, state and federal grants and reserve funds have provided cash for the upgrade and replacement of $16,032,763 in equipment, facility renovations and infrastructure replacements. State and federal grants totaling $8,457,436 have been leveraged since the inception of the rate increases. Water fund capital expenditures of $1,884,342 in Fiscal Year 2021/2022 resulted in a drawdown of water capital reserve funds to $36,112, while Sewer fund capital expenditures in the same year totaled $4,605,056 resulting in the sewer reserve being depleted and $1,702,891of sewer fund balance being spent through June 30, 2023.


FY 23 Charges for Services for Business-type Activities
Sewer 45%
Water 55%

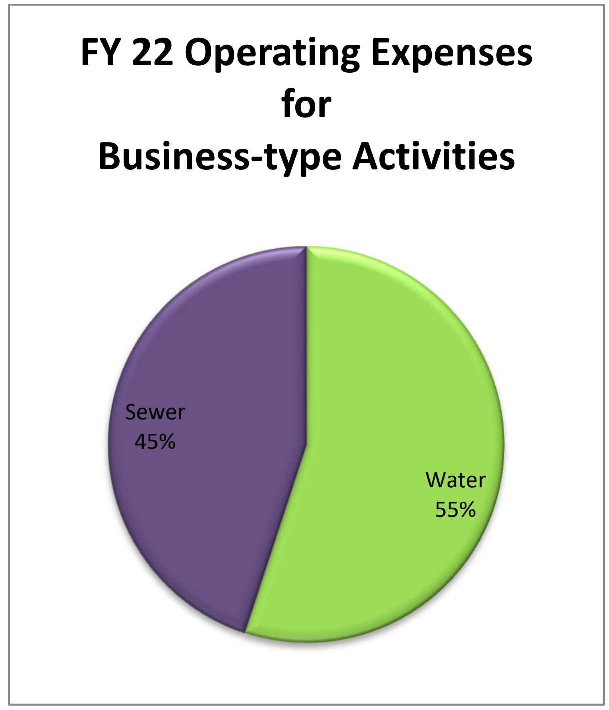

FY 22 Charges for Services for Business-type Activities
Sewer 44%
Water 56%


FY 23 Revenue for Governmental Activities
Parks & recreation 23%
Public safety 77%

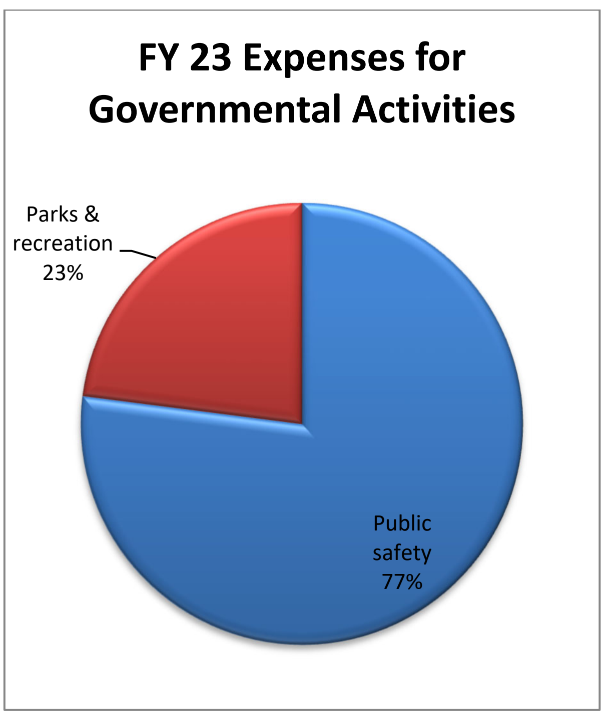

FY 22 Revenue for Governmental Activities
Parks & recreation 21%
Public safety 79%



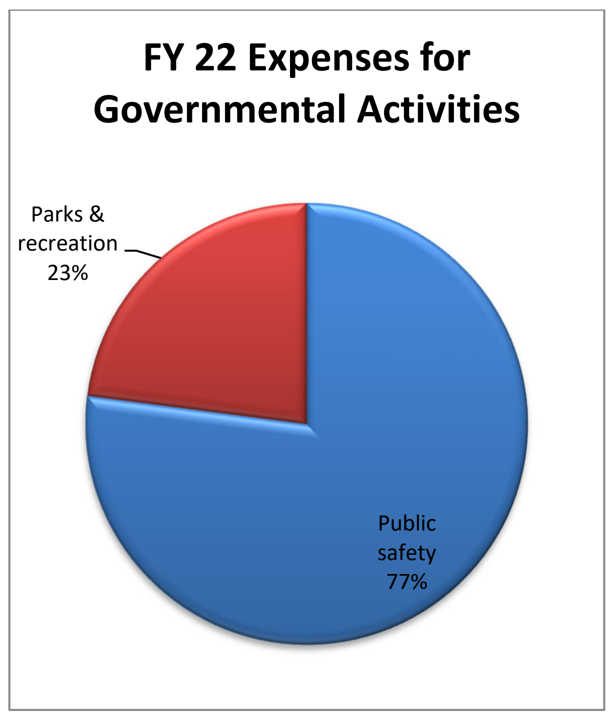
FY 23 Operating Expenses for Business-type Activities
Sewer 47%
Water 53%

FY 22 Operating Expenses for Business-type Activities
Sewer 45%
Water 55%

FY 23 Expenses for Governmental Activities
Parks & recreation 23%
Public safety 77%

FY 22 Expenses for Governmental Activities
Parks & recreation 23%
Public safety 77%

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

### Changes in Net Fund Balance/Net Position

### Governmental fund balances

**Fire Fund –** A special benefit assessment for the fire department expired in June 2012, resulting in a reduced funding level for the fire department. The District subsequently eliminated its fire department staff positions and entered into a contractual agreement (Schedule A Contract) with CAL FIRE for the operation of the fire department, that began April 1, 2013. This contractual arrangement initially reduced expenses, but was quickly determined to not provide adequate staffing to achieve industry standard services year-round. Therefore, to maintain adequate firefighting resources, the District entered into agreement in 2014 with CAL FIRE to provide year-round staffing at their Merrell Road station (Amador Contract).

The budgeted cost of the Schedule A and Amador contract has exceeded available property tax revenue each year, however the actual amount billed by CAL FIRE has historically been well under budget. In addition, due to serious drought conditions from 2014 through 2017 which resulted in an extended state fire season, no Amador Contract expenses were incurred in those years and therefore revenue and expenses were in balance. In the 2018/19 and again in the 2019/20 fiscal year, the Amador contract expense was billed by CAL FIRE and the Schedule A billing began increasing by over 5% per year which approached the amount budgeted, causing the fund balance to be drawn down to balance revenue and expenses for the year. In the 2019/20 fiscal year, the fire department fund balance was depleted by $204,905 and then recovered by only $53,762 in fiscal year 2020/21. Once again the fire department fund balance was reduced by $2,515 in fiscal year 2021/22 and $282,348 in fiscal year 2022/23 due to expenses exceeding revenue. The District estimates that without additional revenue, the remaining fire department cash will be depleted by the end of the 2024/25 Fiscal Year or sooner if major equipment failure were to occur.

Considering the fire department budget deficit, inability to replace critical equipment and inability to reduce expenses further and continue to provide required staffing, the District completed an update of its fire department master plan to identify required immediate and long term expenses to meet established fire protection and emergency response standards and evaluate department revenue options. Concurrently in 2019/20 fiscal year, the District hired professional consultants to determine, develop and place before the voters a revenue measure to ensure that fire services are adequately funded into the future. Due to the COVID-19 Pandemic and its negative economic impact locally, the fire revenue measure planned for 2020 was placed on hold. In January 2021 the District entered into a joint powers agreement with Tuolumne County and the other county fire departments for the purpose of placing a special tax revenue measure on the June 8, 2021 special election ballot. If approved, the special tax measure would have provided over $500,000 annually to the District fire department to replace equipment and develop a contingency and reserve fund. The measure was defeated by the voters and the JPA dissolved.

In addition, as recommended in the updated 2020 Fire Master Plan, the District has been negotiating with the County of Tuolumne for funding assistance to offset the expense and impact of providing fire protection and emergency response services for an increasing 911 call volume occurring outside the District boundaries, predominantly in the county's responsibility area, as a result of the District's via its automatic/mutual aid agreement. As a result, the County assumed the cost of the Amador Contract which funds the non-fire season staffing at the CAL FIRE Merrell Rd fire station at an estimated cost of $260,000 annually. The County also entered into agreement with the District in August 2022 to co-locate a fully staffed, Tuolumne County Fire Department engine in the Groveland fire station for a period of one year. This action by the county increases the level of staffing and services provided consistently, year round, but does not balance the fire department revenue and expense.

To address the cost of expanding fire department staffing in the future with the growth of the community, the District has adopted development policies requiring the formation of Community Facilities Districts which authorizes the levy of a special tax as well as the charging of Development Impact Fees on newly developing properties, with the revenue being set aside for staff and equipment expansion when emergency call volume warrants.

**Park Fund –** The park services benefit from the administrative services of the District, which include shared Board, management and office expenses. Since the 2018/19 fiscal year, the District has allocated approximately 5% of the majority of administrative expenses to the park services, to accurately reflect the benefit received in accordance with law.

The District is actively applying for state grant funds with the intent of developing facilities that will generate rental revenue, increase volunteer participation and increase donation revenue.

**Business Type Activity Funds**

The **Water Fund** generated operating income of $581,697, a net increase from nonoperating activities of $87,950 and a net increase in capital activity of $80,000 for a total increase in net position of $749,647. The primary capital activity item was grant revenue of $80,000 and primary nonoperating item was state revenue of $123,337, federal revenue of $50,000 and interest expense of $49,468 on long-term debt.

The **Sewer Fund** generated operating income of $310,189, a net increase from nonoperating activities of $2,127,559, and a net increase in capital activity of $5,220 for a total increase in net position of $2,442,968. The primary capital activity item was state grant revenue of $5,220 and primary nonoperating item was federal revenue of $2,209,210 and interest expense of $74,955 on long-term debt.

**Change in Fund Balance/Net Position**

| | 2023 | 2022 | Increase (Decrease) |
|---|---|---|---|
| Governmental Fund Balance: | | | |
| Fire protection | $ 666,384 | $ 948,732 | $ (282,348) |
| Parks and recreation | 435,563 | 165,433 | 270,130 |
| Enterprise Net Position: | | | |
| Water | 11,691,364 | 10,941,717 | 749,647 |
| Davis-Grunsky | 19,088 | 18,620 | 468 |
| Sewer | 8,854,120 | 6,411,152 | 2,442,968 |

## CAPITAL ASSETS

At June 30, 2023 the District invested $22,671,154 in capital assets. This amount represents a net increase of $5,187,652 from last year. The increase in capital assets was primarily a result of $1,039,188 related to the annual depreciation expense offset by capital asset additions of $6,260,127. The most significant additions to the capital assets during this fiscal year are detailed below:

**Assets Shared by Multiple Services**

- Admin Parking Lot Upgrade
- Dump Truck & Trailer
- Truck #15 Replacement
- Tire Machine/ Balancing Machine
- Shop Parts Washer
- New Collection and Distribution (C&D) Truck

**Water Service**

- Truck # 6 Replacement
- Big Creek-2G Clearwell, Butler Way Bypass
- Generator Installations
- 1 Pump Control and 2 Surge Valves for WTP
- SCADA Improvements
- Highland Pump Station Kohler Generator
- 2022 Groveland Drought Resiliency Project
- New AC/Heater Unit for Operations Building
- Water Treatment Plant Flow Meters
- Skip Loader Tractor
- Chlorine analyzer for WTP x 4
- Heating Element for AWS hot water heater
- New AC/Heater unit (Mitsubishi) for Maintenance Dept.
- 2G Booster Pump Repair
- Tank #4 40H Pump/Motor Repair

**Sewer Service**

- Downtown Groveland/BOF Sewer Collection Rehab Project
- WWTP Improvements, Phase 2-Headworks, LS2, Irrigation, Sludge Pump, Influent Pump
- Concrete & grading by Screw Press
- Vac-Con Truck
- Generator Installations
- STP Blower & Gen Room Rehab (blower room door installation)
- Lift Station Driveway Rehabilitation
- 2 HACH Flow Monitoring units
- LS#1 Kohler Generator
- New AC/Heater Unit for Operations Building

- STP Polymer Pump
- Skip Loader Tractor
- WWTP Pond 1 Liner
- HH RR Park Land Acquisition
- New AC/Heater unit (Mitsubishi) for Maintenance Dept.
- Lift Station #10 Pump
- Lift Station # 7 repair

**Fire**

- Asphalt repair (driveway/employee parking area)
- GCSD Infrastructure Fuel Reduction Project
- Source Capture Exhaust System
- HH RR Park Land Acquisition

**Park**

- Groveland Asset Rehabilitation and Beautification Project
- Park Parking Lot Repair
- Hetchy Hetchy RR Project

**Total Funds Invested in Capital Assets**

| | 2023 | 2022 | Increase (Decrease) |
|---|---|---|---|
| Land | $ 612,081 | $ 645,368 | $ (33,287) |
| Structures and improvements | 34,025,951 | 33,117,406 | 908,545 |
| Furniture and equipment | 4,060,094 | 3,178,137 | 881,957 |
| Vehicles | 2,742,041 | 1,656,762 | 1,085,279 |
| Right-to-use asset | 350,000 | | 350,000 |
| Construction in progress | 8,943,271 | 5,908,925 | 3,034,346 |
| Accumulated depreciation | (28,062,284) | (27,023,096) | (1,039,188) |
| Total | $ 22,671,154 | $ 17,483,502 | $ 5,187,652 |

## LONG-TERM DEBT

At June 30, 2023, the District has $9,206,944 in long-term debt, including the net pension liability. The changes to long-term debt are primarily attributable to scheduled principal payments and the change in the net pension liability, net OPEB liability (asset), the finance purchase and lease liability.

The District provides pension benefits to its employees through the Groveland Community Services District Miscellaneous Plan, a cost-sharing multiple-employer defined benefit pension plan maintained by CalPERS, an agency of the State of California. Qualified employees are covered under the Miscellaneous 2.7% at 55 for classic employees and 2% at 62 for PEPRA employees in the Risk Pool (the Plan). CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. As of June 30, 2023, the District's proportionate share of the Plan's net pension liability was $3,135,806, which is determined by an actuary annually. The District is evaluating refinancing methods to further reduce its CalPERS Unfunded Accrued Liability.

| | 2023 | 2022 | Increase (Decrease) |
|---|---|---|---|
| Bonds, net | $ 1,990,298 | $ 2,449,396 | $ (459,098) |
| Net OPEB obligation | 91,323 | | 91,323 |
| Compensated absences | 241,064 | 195,768 | 45,296 |
| Net pension liability | 3,135,806 | 1,919,204 | 1,216,602 |
| Finance purchase | 1,081,056 | | 1,081,056 |
| Lease liability | 350,000 | | 350,000 |
| Other long-term debt | 2,317,397 | 2,641,159 | (323,762) |
| Total | $ 9,206,944 | $ 7,205,527 | $ 2,001,417 |

## FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared, factors affecting the District's future included:

**Fire Services –** The District continued its contract with CAL FIRE for the operation of the Fire Department, and for the third consecutive year as predicted, the expenses associated with the Schedule A contract, building improvements and operating costs exceeded the available annual property tax allocation, causing a drawdown of fund balance. An increase in Fire fund revenue is needed prior to June 30, 2025, and the District is planning to secure voter approval of a revenue measure in 2024.

The cost associated with the CAL FIRE Schedule A Contract will increase by 17%, $176,486 in FYE 2024 and 33%, $406,820 in FYE 2025. It is also estimated that Fire Department revenue will increase at approximately 2% to 4% annually during this same period, resulting in further reductions in net position and cash unless additional revenue is secured to balance the budget. The District's Government (Fire) Fund balances could be depleted by June 30, 2025 and earlier if any catastrophic failure occurs to the main fire engines.

In addition, GCSD maintains over $4.7 million in Fire Department capital assets, including fire engines, buildings, tools and safety equipment. Recent past budgets have not included adequate revenue for the short and long term replacement of fire department equipment. In January 2020 the Board adopted the Fire Department capital asset replacement schedule which revealed that a $274,000 expense or reserve is required annually to replace critical department equipment and facilities as they wear out. The amount of funding available to the District for its Fire Department is inadequate to fund replacement of the capital assets. The Board subsequently adopted the updated Fire Master Plan in March 2020 which recommended a number of actions related to department finances, as listed in italics below:

1. *Pursue a cost reimbursement or direct funding assistance from Tuolumne County for the expense associated with providing fire services outside the District boundaries, including the Amador Contract costs.*

   The County has entered into agreement with the District to co-locate a fully staffed fire engine in the Groveland station, for one year, to provide fire and emergency services in the region, responding to emergency calls outside the District boundaries, thus reducing the time impact on the GCSD fire engine and staff.

2. *Pursue a fire special tax or assessment to fund the structural fire department deficit and to cover the cost of CAL FIRE contracts and equipment replacement.*

   The District actively worked with Tuolumne County and the other fire districts in the county in formation of a Joint Powers Authority and placed a special parcel tax on the ballot countywide in June 2021. The measure failed and the JPA was dissolved. Other funding options are currently being pursued by the District including formation of community facilities districts and implementation of development impact fees for new development projects. The District is also developing a revenue/ballot measure for consideration by the local voters in 2024.

3. *Evaluate cost sharing agreements with Tuolumne County regarding services provided to new land development projects.*

   District management is working with the county in preparation of a Fire Services Standards of Coverage evaluation, and to assist in identifying appropriate fire station locations based on call volume and locations, and to establish desired response service levels and cost. The evaluation will also identify the impact of new land development in terms of call volume increases. As discussed above, the County added a fire engine and crew staffed 24x7x365, co-located at the District fire station beginning August 1, 2022. The County is considering the implementation of a funding mechanism to apply to new land development projects for the purpose of funding fire and emergency response services. The District will continue to work with the County to ensure that the funding is implemented and applied to continue and increase fire department staffing in the District's response areas.

It is management's estimation that achieving success in all three actions listed above will result in a balanced Fire Department budget and the ability to fully fund the necessary equipment replacement schedule.

**Park Services –** As with Fire services, the expense of delivering basic park services including building and facility maintenance and repair, cleaning, insurance, replacements and other necessary expenses exceed the amount of property tax funding available. There is not adequate reserve funding available to sustain Park services in perpetuity into the future. The District is currently evaluating various revenue producing options to fund park services into the future including upgrading facilities to reduce maintenance costs, adding park features to increase facility rentals and donations. The Park Improvements Plan was completed in the 2021/22 fiscal year and the District received $1,027,145 in grant funding commitments from the Clean California Local Grant Program, paid on a reimbursement basis and $350,000 loan to complete park improvements and restroom replacement. In addition, the first phase of a new trail system, Hetch Hetchy Railroad Trail, has been approved for funding through the Caltrans Active Transportation Program in the amount of $6,323,000, to be planned, designed and constructed in the 2023/24 through 2027/28 fiscal years. This project is intended to increase tourism and community mobility, increase donations and volunteerism.

**Water Services –** The District has completed the planning and design process for a large-scale Water System Replacement Project which will improve the water distribution lines in the Groveland- Big Oak Flat area. The planning was funded by a $405,000 state grant. The planning process resulted in engineered plans and specifications, state permits and environmental approvals necessary to construct the project should adequate grant and/or loan funding be awarded. The District has applied for $6 million in project funding to the Drinking Water State Revolving Fund and to the Community Development Block Grant (CDBG) program as a subrecipient to the County of Tuolumne. In addition, a state grant funding contract has been received for $3.9 million for the rehabilitation of two, two million gallon clear well water storage tanks, upgrade of a water booster pump station and replacement of a failing tank floor. This Clearwell Project was substantially completed by June 30, 2023. $3,908,548 in cash generated from water rate increases beginning in 2015 were used to leverage grant funds, make loan and debt service payments, ultimately providing for an investment of $8,972,069 in capital assets between July 1, 2015 and June 30, 2023. The District Water System Master Plan was also substantially completed by June 30, 2023. The Master Plan contains a long and short term Capital Improvement/Replacement Plan, for which the District will develop a financial plan to include establishing appropriate customer fees and charges to continue leveraging state and federal grants, loans and other financing.

**Sewer Services –** In 2018, the District completed the planning process for a large scale sewer system replacement and rehabilitation project. This planning was funded through a state grant in the amount of $399,000. The planning process resulted in preliminary engineering, state permits and environmental approvals necessary to support an application for state funding for project construction, which resulted in a $5.8 million state grant and loan funding agreement in 2021. Construction on this project was started in June 2022 and was nearly complete by June 30, 2023. The District also secured a $1,511,053 low interest loan as discussed in the Long Term Debt section above, for the purpose of constructing improvements to the wastewater treatment plant to increase operating efficiency and reduce the production of odors. Construction on Phase 1 of the Project was completed in the 2022/23 fiscal year and construction of Phase 2 will begin in March 2023, weather permitting. $2 million in cash generated from increases to customer sewer rates beginning in the 2018/19 fiscal year were used to leverage grant funds, make loan and debt service payments, and generate reserve funds for $7,060,694 in capital projects completed between July 1, 2018 and June 30, 2023. The District Sewer System Master Plan was also substantially completed by June 30, 2023. The Master Plan contains a long and short term Capital Improvement/Replacement Plan, for which the District will develop a financial plan to include establishing appropriate customer fees and charges to continue leveraging state and federal grants, loans and other financing.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, ratepayers, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact Peter Kampa, General Manager, Groveland Community Services District, 18966 Ferretti Rd., Groveland, CA 95321.

# GROVELAND COMMUNITY SERVICES DISTRICT

## STATEMENT OF NET POSITION
## JUNE 30, 2023

| | Governmental Activities | Business-type Activities | Totals |
|---|---|---|---|
| **ASSETS:** | | | |
| Cash and equivalents | $ 1,490,946 | $ 4,525,452 | $ 6,016,398 |
| Restricted cash and equivalents | 276,239 | 4,274,862 | 4,551,101 |
| Accounts receivable | 50,833 | 1,606,652 | 1,657,485 |
| Internal balances | (376,284) | 376,284 | |
| Depreciable/amortizable capital assets (net) | 1,035,460 | 12,080,342 | 13,115,802 |
| Nondepreciable capital assets | 1,043,250 | 8,512,102 | 9,555,352 |
| Total assets | 3,520,444 | 31,375,694 | 34,896,138 |
| **DEFERRED OUTFLOW OF RESOURCES:** | | | |
| Deferred outflow of resources related to pensions | 76,767 | 1,369,468 | 1,446,235 |
| Deferred outflow of resources related to OPEB | | 191,581 | 191,581 |
| Deferred amount on debt refunding | | 46,894 | 46,894 |
| Total deferred outflow of resources | 76,767 | 1,607,943 | 1,684,710 |
| **LIABILITIES:** | | | |
| Accounts payable and accrued liabilities | 339,587 | 1,112,818 | 1,452,405 |
| Interest payable | | 57,106 | 57,106 |
| Deposits payable | 200 | 8,522 | 8,722 |
| Unearned revenue | | 2,057,468 | 2,057,468 |
| Long-term liabilities, due within one year | 62,310 | 1,233,976 | 1,296,286 |
| Long-term liabilities, due in more than one year | 315,269 | 4,368,260 | 4,683,529 |
| Net OPEB liability | | 91,323 | 91,323 |
| Net pension liability, due in more than one year | 166,448 | 2,969,358 | 3,135,806 |
| Total liabilities | 883,814 | 11,898,831 | 12,782,645 |
| **DEFERRED INFLOW OF RESOURCES:** | | | |
| Deferred inflow of resources related to pensions | 21,326 | 380,454 | 401,780 |
| Deferred inflow of resources related to OPEB | | 139,780 | 139,780 |
| Deferred inflow of resources - lease asset | 350,000 | | 350,000 |
| Total deferred inflow of resources | 371,326 | 520,234 | 891,560 |
| **NET POSITION:** | | | |
| Net investment in capital assets | 2,068,008 | 13,203,821 | 15,271,829 |
| Net position - restricted | 276,239 | 1,196,747 | 1,472,986 |
| Unrestricted | (2,176) | 6,164,004 | 6,161,828 |
| Total net position | $ 2,342,071 | $ 20,564,572 | $ 22,906,643 |

The accompanying notes are an integral part of these financial statements.

# GROVELAND COMMUNITY SERVICES DISTRICT

## STATEMENT OF ACTIVITIES
## YEAR ENDED JUNE 30, 2023

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants & Contributions | Net (Expenses) Revenues and Changes in Net Position: Governmental Activities | Net (Expenses) Revenues and Changes in Net Position: Business-type Activities | Totals |
|---|---|---|---|---|---|---|---|
| Governmental Activities: | | | | | | | |
| Public safety | $ 894,675 | | $ 45,001 | $ 41,336 | $ (808,338) | | $ (808,338) |
| Parks and recreation | 172,649 | $ 2,660 | | | (169,989) | | (169,989) |
| Total Governmental Activities | 1,067,324 | 2,660 | 45,001 | 41,336 | (978,327) | | (978,327) |
| Business-type Activities: | | | | | | | |
| Water | 2,892,556 | 3,370,849 | | 253,337 | | $ 731,630 | 731,630 |
| Davis-Grunsky | | | | | | | |
| Sewer | 2,513,357 | 2,736,150 | | 2,214,430 | | 2,437,223 | 2,437,223 |
| Total Business-type Activities | 5,405,913 | 6,106,999 | | 2,467,767 | | 3,168,853 | 3,168,853 |
| Total Primary Government | $ 6,473,237 | $ 6,109,659 | $ 45,001 | $ 2,509,103 | (978,327) | 3,168,853 | 2,190,526 |
| General Revenues (Expenses): | | | | | | | |
| Property taxes | | | | | 1,436,628 | 128 | 1,436,756 |
| Interest earnings | | | | | 38,883 | 162,352 | 201,235 |
| State Revenue | | | | | 246,491 | | 246,491 |
| Federal Revenue | | | | | 257 | | 257 |
| Other revenue | | | | | 84,158 | 8,355 | 92,513 |
| Loss on disposal of capital asset | | | | | (16,448) | (146,605) | (163,053) |
| Total general revenues | | | | | 1,789,969 | 24,230 | 1,814,199 |
| Change in net position | | | | | 811,642 | 3,193,083 | 4,004,725 |
| Net position - beginning of year, as previously reported | | | | | 1,530,429 | 17,187,716 | 18,718,145 |
| Cumulative effect of prior period adjustment | | | | | | 183,773 | 183,773 |
| Net position - beginning, as restated | | | | | 1,530,429 | 17,371,489 | 18,901,918 |
| Net position - ending | | | | | $ 2,342,071 | $ 20,564,572 | $ 22,906,643 |

The accompanying notes are an integral part of these financial statements.

# GROVELAND COMMUNITY SERVICES DISTRICT

## BALANCE SHEETS
## GOVERNMENTAL FUNDS
## JUNE 30, 2023

| | Fire Protection | Parks and Recreation | Total Governmental Funds |
|---|---|---|---|
| **ASSETS:** | | | |
| Cash and equivalents | $ 1,146,836 | $ 344,110 | $ 1,490,946 |
| Restricted cash and equivalents | | 276,239 | 276,239 |
| Accounts receivable | 14,303 | 36,530 | 50,833 |
| Total assets | $ 1,161,139 | $ 656,879 | $ 1,818,018 |
| **LIABILITIES AND FUND BALANCES** | | | |
| Liabilities: | | | |
| Accounts payable and accrued liabilities | $ 321,974 | $ 17,613 | $ 339,587 |
| Deposits payable | | 200 | 200 |
| Due to other funds | 172,781 | 203,503 | 376,284 |
| Total liabilities | 494,755 | 221,316 | 716,071 |
| Fund balances: | | | |
| Restricted | | 276,239 | 276,239 |
| Committed: | | | |
| Fire protection | 666,384 | | 666,384 |
| Parks and recreation | | 159,324 | 159,324 |
| Total fund balances | 666,384 | 435,563 | 1,101,947 |
| Total liabilities and fund balances | $ 1,161,139 | $ 656,879 | $ 1,818,018 |

# GROVELAND COMMUNITY SERVICES DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS TO THE STATEMENT OF NET POSITION
## JUNE 30, 2023

| | |
|---|---|
| Total fund balance, governmental funds | $ 1,101,947 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. This is the amount, net of accumulated depreciation, included in the statement of net position. | 2,078,710 |
| In the governmental funds, deferred outflows and inflows of resources relating to pensions and OPEB are not reported because they are applicable to future periods. In the governmental activities statement of net position, deferred outflow and inflows of resources are reported as follows: | |
| Deferred outflow of resources related to pensions | 76,767 |
| Deferred inflow of resources related to pensions | (21,326) |
| Lease assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. This is the amount, related to deferred inflow of resources, included in the statement of net position. | (350,000) |
| Compensated absences, net OPEB liability (assets) and the net pension liability are not due, payable, and available in the current period and, therefore, are not reported as liabilities or assets in the governmental funds; however, are included in the governmental activities in the statement of net position. | (544,027) |
| Total net position, governmental activities | $ 2,342,071 |

# GROVELAND COMMUNITY SERVICES DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
## GOVERNMENTAL FUNDS
## YEAR ENDED JUNE 30, 2023

| | Fire Protection | Parks and Recreation | Total Governmental Funds |
|---|---|---|---|
| **REVENUES:** | | | |
| Property taxes | $ 1,321,698 | $ 114,930 | $ 1,436,628 |
| Interest earnings | 22,622 | 16,261 | 38,883 |
| Charges for services | | 2,660 | 2,660 |
| Federal revenue | 41,593 | | 41,593 |
| State revenue | 45,001 | 246,491 | 291,492 |
| Use of money and property | | 56,955 | 56,955 |
| Other revenues | 25,023 | 2,180 | 27,203 |
| Total revenues | 1,455,937 | 439,477 | 1,895,414 |
| **EXPENDITURES:** | | | |
| Public safety | 1,318,284 | | 1,318,284 |
| Parks and recreation | | 154,933 | 154,933 |
| Capital outlay | 428,919 | 366,198 | 795,117 |
| Total expenditures | 1,747,203 | 521,131 | 2,268,334 |
| Excess (deficiency) of revenues over expenditures | (291,266) | (81,654) | (372,920) |
| **OTHER FINANCING SOURCES (USES):** | | | |
| Proceeds from lease assets loan | 8,918 | 351,784 | 360,702 |
| Net change in fund balance | (282,348) | 270,130 | (12,218) |
| Fund balances - beginning of year | 948,732 | 165,433 | 1,114,165 |
| Fund balances - end of year | $ 666,384 | $ 435,563 | $ 1,101,947 |

# GROVELAND COMMUNITY SERVICES DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
## YEAR ENDED JUNE 30, 2023

| | | |
|---|---|---|
| Net change in fund balances - total governmental funds | | $ (12,218) |
| Amounts reported for governmental activities and in the statement of activities are different because: | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense: | | |
| Capital outlay expenditures are added back to fund balances | $ 795,117 | |
| Depreciation expense not reported in governmental funds | (79,556) | 715,561 |
| In governmental funds, the entire proceeds from disposal of assets are reported as revenues. In the statements of activities, only the resulting gain or loss is reported. This is the difference between the proceeds from disposal of capital assets and the resulting gain or loss. | | (16,448) |
| In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on an accrual basis. The difference between accrual basis pension costs and employer contributions was: | | 474,652 |
| In governmental funds, retiree benefit costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are measured on an accrual basis. The difference between accrual basis OPEB costs and employer contributions was: | | 13,967 |
| Increases/decreases in long-term debt are not recorded as expenditures in governmental funds because they are not expected to be liquidated with current financial resources. In the statement of activities, additions of long-term debt are recognized as liabilities and income is reduced. | | (360,702) |
| Increases/decreases in compensated absences are not recorded as expenditures in governmental funds because they are not expected to be liquidated with current financial resources. In the statement of activities, changes in compensated absences are recognized as expenses. | | (3,170) |
| Change in net position of governmental activities | | $ 811,642 |

The accompanying notes are an integral part of these financial statements.

# GROVELAND COMMUNITY SERVICES DISTRICT

## STATEMENT OF NET POSITION
## PROPRIETARY FUNDS
## JUNE 30, 2023

| | Business-type Activities Enterprise Funds | | | |
|---|---|---|---|---|
| | Water Fund | Davis-Grunsky Fund | Sewer Fund | Totals |
| **ASSETS:** | | | | |
| Cash and equivalents | $ 2,674,672 | $ 15,603 | $ 1,835,177 | $ 4,525,452 |
| Restricted cash and equivalents | 3,254,215 | | 1,020,647 | 4,274,862 |
| Due from other funds | 411,774 | 3,485 | | 415,259 |
| Accounts receivable | 353,777 | | 1,252,875 | 1,606,652 |
| Depreciable capital assets (net) | 6,852,237 | | 5,228,105 | 12,080,342 |
| Nondepreciable capital assets | 4,374,313 | | 4,137,789 | 8,512,102 |
| Total assets | 17,920,988 | 19,088 | 13,474,593 | 31,414,669 |
| **DEFERRED OUTFLOW OF RESOURCES:** | | | | |
| Deferred outflow of resources related to pensions | 789,979 | | 579,489 | 1,369,468 |
| Deferred outflow of resources related to OPEB | 131,562 | | 60,019 | 191,581 |
| Deferred amount on debt refunding | 29,951 | | 16,943 | 46,894 |
| Total deferred outflow of resources | 951,492 | | 656,451 | 1,607,943 |
| **LIABILITIES:** | | | | |
| Accounts payable and accrued liabilities | 587,445 | | 525,373 | 1,112,818 |
| Due to other funds | | | 38,975 | 38,975 |
| Interest payable | 22,022 | | 35,084 | 57,106 |
| Deposits payable | 8,522 | | | 8,522 |
| Unearned revenue | 2,057,468 | | | 2,057,468 |
| Long-term liabilities, due within one year | 649,087 | | 584,889 | 1,233,976 |
| Long-term liabilities, due in more than one year | 1,765,526 | | 2,602,734 | 4,368,260 |
| Net OPEB liability | 62,713 | | 28,610 | 91,323 |
| Net pension liability, due in more than one year | 1,712,876 | | 1,256,482 | 2,969,358 |
| Total liabilities | 6,865,659 | | 5,072,147 | 11,937,806 |
| **DEFERRED INFLOW OF RESOURCES:** | | | | |
| Deferred inflow of resources related to pensions | 219,465 | | 160,989 | 380,454 |
| Deferred inflow of resources related to OPEB | 95,992 | | 43,788 | 139,780 |
| Total deferred inflow of resources | 315,457 | | 204,777 | 520,234 |
| **NET POSITION:** | | | | |
| Net investment in capital assets | 6,905,095 | | 6,298,726 | 13,203,821 |
| Net position - restricted | 1,196,747 | | | 1,196,747 |
| Unrestricted | 3,589,522 | 19,088 | 2,555,394 | 6,164,004 |
| Total net position | $ 11,691,364 | $ 19,088 | $ 8,854,120 | $ 20,564,572 |

The accompanying notes are an integral part of these financial statements.

# GROVELAND COMMUNITY SERVICES DISTRICT

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
## PROPRIETARY FUNDS
## YEAR ENDED JUNE 30, 2023

| | Business-type Activities Enterprise Funds | | | |
|---|---|---|---|---|
| | Water Fund | Davis-Grunsky Fund | Sewer Fund | Totals |
| **OPERATING REVENUES:** | | | | |
| Charges for services | $ 3,320,491 | | $ 2,710,687 | $ 6,031,178 |
| Other | 50,358 | | 25,463 | 75,821 |
| Total operating revenues | 3,370,849 | | 2,736,150 | 6,106,999 |
| **OPERATING EXPENSES:** | | | | |
| Salaries and wages | 467,507 | | 510,341 | 977,848 |
| Payroll expenses | 564,641 | | 425,139 | 989,780 |
| Utilities | 311,275 | | 171,285 | 482,560 |
| Supplies, equipment, and materials | 213,965 | | 97,592 | 311,557 |
| Repairs and maintenance | 215,638 | | 206,428 | 422,066 |
| Professional services | 165,236 | | 156,760 | 321,996 |
| Licenses and permits | 20,301 | | 45,407 | 65,708 |
| Insurance | 103,605 | | 70,304 | 173,909 |
| Miscellaneous | 45,997 | | 24,497 | 70,494 |
| Communications | 11,765 | | 5,645 | 17,410 |
| Employee development | 38,764 | | 44,920 | 83,684 |
| Janitorial | 25,530 | | 14,362 | 39,892 |
| Rents and leases | 7,414 | | | 7,414 |
| Memberships, dues, and subscriptions | 36,474 | | | 36,474 |
| Depreciation | 561,040 | | 653,281 | 1,214,321 |
| Total operating expenses | 2,789,152 | | 2,425,961 | 5,215,113 |
| Operating income | 581,697 | | 310,189 | 891,886 |
| **NONOPERATING REVENUES (EXPENSES):** | | | | |
| Property taxes | | $ 128 | | 128 |
| Federal revenue | 50,000 | | 2,209,210 | 2,259,210 |
| State grant revenue | 123,337 | | | 123,337 |
| Interest earnings | 79,480 | 340 | 82,532 | 162,352 |
| Interest expense | (49,468) | | (74,955) | (124,423) |
| Amortization | (29,315) | | (5,083) | (34,398) |
| Other expenses | (24,621) | | (7,358) | (31,979) |
| Loss on disposal of capital assets | (65,798) | | (80,807) | (146,605) |
| Cost of issuance | | | | |
| Other income | 4,335 | | 4,020 | 8,355 |
| Total nonoperating revenues (expenses) | 87,950 | 468 | 2,127,559 | 2,215,977 |
| **INCOME BEFORE CAPITAL ACTIVITY** | 669,647 | 468 | 2,437,748 | 3,107,863 |
| **CAPITAL ACTIVITY:** | | | | |
| State grant revenue | 80,000 | | 5,220 | 85,220 |
| Change in net position | 749,647 | 468 | 2,442,968 | 3,193,083 |
| Net position - beginning of year, as previously reported | 10,941,717 | 18,620 | 6,227,379 | 17,187,716 |
| Cumulative effect of prior period adjustment | | | 183,773 | 183,773 |
| Net position - beginning, as restated | 10,941,717 | 18,620 | 6,411,152 | 17,371,489 |
| Net position - ending | $ 11,691,364 | $ 19,088 | $ 8,854,120 | $ 20,564,572 |

The accompanying notes are an integral part of these financial statements.

# GROVELAND COMMUNITY SERVICES DISTRICT

## STATEMENT OF CASH FLOWS
## PROPRIETARY FUNDS
## YEAR ENDED JUNE 30, 2023

| | Business-type Activities Enterprise Funds | | | |
|---|---|---|---|---|
| | Water Fund | Davis-Grunsky Fund | Sewer Fund | Totals |
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | | |
| Cash received from customers | $ 3,517,549 | | $ 2,059,303 | $ 5,576,852 |
| Cash payments to suppliers for goods and services | (1,176,361) | | (259,930) | (1,436,291) |
| Cash payments to/on behalf of employees | (1,534,776) | | (1,221,205) | (2,755,981) |
| Net cash provided (used) by operating activities | 806,412 | | 578,168 | 1,384,580 |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:** | | | | |
| Cash received from grants | 123,337 | | 2,392,983 | 2,516,320 |
| Cash received from taxes and assessments | | $ 128 | | 128 |
| Cash received from other nonoperating | 54,335 | | 4,020 | 58,355 |
| Cash payments for other nonoperating | (24,621) | | (7,358) | (31,979) |
| Net cash provided (used) by non-capital and related financing activities | 153,051 | 128 | 2,389,645 | 2,542,824 |
| **CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:** | | | | |
| Cash received from grants | 2,137,468 | | 5,220 | 2,142,688 |
| Purchase of capital assets | (1,196,217) | | (4,303,250) | (5,499,467) |
| Interest paid on long-term debt | (54,895) | | (79,741) | (134,636) |
| Principal paid on long-term debt | (459,098) | | (323,762) | (782,860) |
| Proceeds from financing debt | 303,640 | | 766,714 | 1,070,354 |
| Net cash provided (used) by capital and related financing activities | 730,898 | | (3,934,819) | (3,203,921) |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | | |
| Interest on investments | 79,480 | 340 | 82,532 | 162,352 |
| Net increase (decrease) in cash and cash equivalents | 1,769,841 | 468 | (884,474) | 885,835 |
| Cash and cash equivalents - beginning of year | 4,159,046 | 15,135 | 3,740,298 | 7,914,479 |
| Cash and cash equivalents - end of year | $ 5,928,887 | $ 15,603 | $ 2,855,824 | $ 8,800,314 |
| Cash and equivalents | $ 2,674,672 | $ 15,603 | $ 1,835,177 | $ 4,525,452 |
| Restricted cash and equivalents | 3,254,215 | | 1,020,647 | 4,274,862 |
| Cash and cash equivalents - end of year | $ 5,928,887 | $ 15,603 | $ 2,855,824 | $ 8,800,314 |

(Continued)

# GROVELAND COMMUNITY SERVICES DISTRICT

## STATEMENT OF CASH FLOWS
## PROPRIETARY FUNDS
## YEAR ENDED JUNE 30, 2023
(Continued)

| | Business-type Activities Enterprise Funds | | | |
|---|---|---|---|---|
| | Water Fund | Davis-Grunsky Fund | Sewer Fund | Totals |
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | | |
| Operating income | $ 581,697 | | $ 310,189 | $ 891,886 |
| Reconciliation of operating income to net cash provided (used) by operating activities | | | | |
| Depreciation expense | 561,040 | | 653,281 | 1,214,321 |
| (Increase) decrease in: | | | | |
| Accounts receivable and deposits | 147,510 | | (676,847) | (529,337) |
| Due from other funds | (387,499) | | | (387,499) |
| Deferred outflows of resources | (540,282) | | (504,824) | (1,045,106) |
| Increase (decrease) in: | | | | |
| Accounts payable and accrued liabilities | 434,220 | | 289,630 | 723,850 |
| Due to other funds | | | 302,528 | 302,528 |
| Deposits payable | (810) | | | (810) |
| Compensated absences | 22,611 | | 19,512 | 42,123 |
| Net pension liability | 825,108 | | 605,085 | 1,430,193 |
| Net OPEB obligation | 109,312 | | 50,560 | 159,872 |
| Deferred inflows of resources | (946,495) | | (470,946) | (1,417,441) |
| Net cash provided (used) by operating activities | $ 806,412 | $ | $ 578,168 | $ 1,384,580 |

## 1. SIGNIFICANT ACCOUNTING POLICIES

### A. ACCOUNTING POLICIES

The basic financial statements of the Groveland Community Services District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

### B. REPORTING ENTITY

The District was formed in 1953, pursuant to the Community Services District Law of the State of California (Division 2 of Title 6 of the Government Code, Section 61600). The District provides water, sewer, fire, and park services throughout the District. The District's financial and administrative functions are governed by a Board of Directors (the Board) elected by the voting population within the District. The District is a separate legal reporting entity in Tuolumne County.

The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity. The criteria include, but are not limited to, whether the entity exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), the scope of public service, and a special financing relationship.

The District has determined that no other outside entity meets the above criteria, and therefore, no agency has been included as a component unit in the District's financial statements. In addition, the District is not aware of any entity that would exercise such oversight responsibility that would result in the District being considered a component unit of that entity.

### C. BASIS OF PRESENTATION

**Government-wide financial statements** – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements, but differs from the manner in which the governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District’s governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are, therefore, clearly identifiable to a particular function. Certain indirect expenses are allocated to the funds based on relative percentages. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

**Fund financial statements** – Fund financial statements report more detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds include a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses, and changes in fund net position presents increases (i.e. revenues) and decreases (i.e. expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

Restricted net position is related to grant funding received in advance or externally required to be held separately by grantors.

D. BASIS OF PRESENTATION

Basis of accounting refers to when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental fund financial statements use the modified accrual basis of accounting. Proprietary uses the accrual basis of accounting.

**Expenses/Expenditures** – Under the accrual basis of accounting, expenses are recognized at the time they are incurred. However, the measurement focus of governmental fund accounting is on decreases in the net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized on governmental fund financial statements.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available for use, it is the District's policy to first apply the expenditure toward restricted fund balance and then to other, less restrictive classifications - committed amounts should be reduced first, followed by assigned amounts and then unassigned amounts.

E. FUND ACCOUNTING

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major funds as follows:

*Major Governmental Funds*

**Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specific purposes. The District maintains the following major special revenue funds:

The **Fire Protection Fund** is used to account primarily for property taxes allocated for fire protection services throughout the District.

The **Parks and Recreation Fund** is used to account primarily for property taxes allocated for recreation services throughout the District.

*Major Proprietary Funds*

**Proprietary Funds – Enterprise Funds** are used to account for a government's ongoing operation and activities that are similar to businesses found in the private sector. These funds are considered self-supporting in that the services rendered by them are generally financed through user charges. The District maintains the following major proprietary funds:

The **Water Fund** is used to account for all activity associated with water services throughout the District.

The **Davis-Grunsky Fund** is used to account for all activity associated with the Davis-Grunsky loans.

The **Sewer Fund** is used to account for all activity associated with waste water services throughout the District.

F. BUDGET AND BUDGETARY ACCOUNTING

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all of the District's governmental funds. By State Law, the Board must approve a tentative budget no later than June 30 and adopt a final budget no later than August 31. A public hearing must be conducted to receive comments prior to adoption.

These budgets are revised by the Board during the fiscal year to give consideration to unanticipated income and expenditures. The original and final revised budgets for the Fire Protection and Parks and Recreation funds are presented as required supplementary information in these financial statements.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

G. USE OF ESTIMATES

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, deferred outflow of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual amounts could differ from those estimates.

H. CASH AND EQUIVALENTS

The District considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

I. CAPITAL ASSETS

Purchased capital assets are stated at historical cost or estimated historical cost when original cost is not available. Donated capital assets are recorded at their estimated fair value at the date of donation. The District's policy is to capitalize all capital assets with costs exceeding a minimum threshold of $2,500 and lease assets exceeding the threshold of $25,000. As of June 30, 2023, the District had no lease assets exceeding the $25,000 threshold.

Depreciation is recorded using the straight-line method over the estimated useful lives of the capital assets. The estimated useful lives are as follows:

| | |
|---|---|
| Structures and Buildings | 20-50 years |
| Improvements | 10-50 years |
| Furnishings and Equipment | 3-10 years |
| Vehicles | 5-20 years |

J. DEFERRED OUTFLOW/INFLOWS OF RESOURCES

In addition to assets, liabilities and net position, the statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of resources that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Conversely, deferred inflows of resources represent an acquisition of resources that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

The District's deferred amount on debt refunding, resulting from the difference in the carrying value and reacquisition price of the refunded debt, is reported as deferred outflows of resources and is amortized over the shorter of the life of the refunded debt or refunding bond.

Contributions made to the District's pension and OPEB plan(s) after the measurement date but before the fiscal year end are recorded as a deferred outflow of resources and will reduce the net pension liability and total OPEB liability in the next fiscal year.

Additional factors involved in the calculation of the District's pension and OPEB expenses and liabilities include the differences between expected and actual experience, changes in assumptions, differences between projected and actual investment earnings, changes in proportion, and differences between the District's contributions and proportionate share of contributions. These factors are recorded as deferred outflows and inflows of resources and amortized over various periods. See Notes 5 and 6 for further details related to these pension and OPEB deferred outflows and inflows.

K. PENSIONS

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's portion of the California Public Employees' Retirement System (CalPERS) Miscellaneous plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

L. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

For purposes of measuring the net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's (OPEB Plan) and additions to/deductions from OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

| | |
|---|---|
| Valuation Date | July 1, 2022 |
| Measurement Date | June 30, 2023 |
| Measurement Period | July 1, 2022 to June 30, 2023 |

M. COMPENSATED ABSENCES

An employee accumulates vacation and sick leave time in accordance with the personnel policies handbook. Vacation and sick time vested and accrued depends on years of service and date of hire by the District. Vacation may be accumulated up to 8 weeks and is paid in full upon termination or retirement. Employee can accumulate up to 300 hours of sick leave, but unused sick leave is compensable at one half the total sick time accrued upon termination or retirement.

N. FUND BALANCES

Committed fund balances are set aside for specific purposes by the District's highest level of decision-making authority (the Board) pursuant to formal actions taken, such as a majority vote or resolution. These committed amounts cannot be used for any other purpose unless the Board removes or changes the specific use through the same type of formal action taken to establish the commitment.

O. PROPERTY TAXES

The District receives property taxes from the County of Tuolumne (County), which has been assigned the responsibility for assessment, collection, 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. 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.

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 accounts. The County, in return, receives all penalties and interest on the related delinquent taxes.

P. LONG-TERM OBLIGATIONS

The District reports long-term obligations of governmental funds at face value in the government-wide financial statements. Long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements and the government-wide financial statements.

Q. CHANGE IN ACCOUNTING PRINCIPLES

For the year ended June 30, 2022, the District implemented GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for subscription-based information technology arrangements (SBITAs) by governments. This statement requires recognition of certain subscription assets and liabilities for leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. There was no net effect of implementing GASB 96 as of June 30, 2023.

R. PRIOR PERIOD ADJUSTMENT

Beginning net position for the Sewer Fund had a prior period adjustment to properly account for revenue that should have been recognized as of June 30, 2022, which resulted in an increase in net position of $183,773.

## 2. CASH AND EQUIVALENTS

The District's cash and cash equivalents as of June 30, 2023 are classified in the accompanying financial statements as follows:

| | |
|---|---|
| Cash and equivalents | $ 6,016,398 |
| Restricted cash and equivalents | 4,551,101 |
| Total cash, cash equivalents and investments | $ 10,567,499 |

Cash and equivalents as of June 30, 2023, consist of the following:

| | |
|---|---|
| Cash with financial institutions | $ 10,526,849 |
| Cash on hand | 500 |
| Cash and equivalents with LAIF | 40,150 |
| Total cash and equivalents | $ 10,567,499 |

Local Agency Investment Fund

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. Separate complete financial statements are available at P.O. Box 942809, Sacramento, CA 94209-0001.

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized per the District's investment policy and allowed per the California Government Code. The table also identifies certain provisions of the California Government Code 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.

| Authorized Investment Type | Maximum Maturity | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|---|---|---|---|
| Reverse Repurchase Agreements & Securities Lending Agreements | 92 days | 20 % of the base value of the portfolio | None |
| Medium-Term Notes | 5 years | 30% | None |
| Mutual Funds | N/A | 20% | 10% |
| Money Market Mutual Funds | N/A | 20% | None |
| Collateralized Bank Deposits | 5 years | None | None |
| Mortgage Pass-Through Securities | 5 years | 20% | None |
| Time Deposits | 5 years | None | None |
| County Pooled Investment Funds | N/A | None | None |
| Local Agency Investment Fund (LAIF) | N/A | None | $50 Million |

Investments Authorized by Debt Agreements

Investments held by trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The table below identifies the investment types that are authorized for investments held by trustees. The table also identifies certain provisions of the debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

| **Authorized Investment Type** | **Maximum Maturity** | **Maximum Percentage of Portfolio** | **Maximum Investment in One Issuer** |
|---|---|---|---|
| Investment pools authorized under CA Statutes governed by Government Code | N/A | None | $50 million |
| U.S. Treasury Obligations/Bills | 5 years | None | None |
| Bank Savings Account | N/A | 25% | None |
| Federal Agencies | 5 years | 75% | None |
| Commercial Paper | 180 days | 20% | None |
| Negotiable Certificates of Deposit | 180 days | 20% | None |
| Re-purchase Agreements | 180 days | 20% | None |
| Corporate Debt | 5 years | 25% | None |
| Money Market Accounts | N/A | None | None |

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 an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District has no investments that are highly sensitive to interest rate fluctuations.

Derivative Investments

The District did not directly enter into any derivative investments. Information regarding the amount invested in derivatives by the County Treasury was not available.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Concentration 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 (other than U.S. Treasury securities, mutual funds, and external investment pools) in any one issuer that represents 5% or more of total District investments.

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 deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits that are 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 governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amounts deposited by the public agencies.

District deposits held with financial institutions and with fiscal agents in excess of federal depository insurance limits are in accounts collateralized by securities held by the pledging financial institution that total $7,871,526.

## 3. CAPITAL ASSETS

Governmental Activities:

Capital asset activity for the year ended June 30, 2023 was as follows:

| | Balance July 1, 2022 | Additions | Deductions | Balance June 30, 2023 |
|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | |
| Land | $ 224,976 | | | $ 224,976 |
| Construction in Progress | 102,793 | $ 728,024 | $ (12,543) | 818,274 |
| Total capital assets, not being depreciated | 327,769 | 728,024 | (12,543) | 1,043,250 |
| Capital assets, being depreciated/amortized: | | | | |
| Structures and improvements | 1,199,328 | 67,967 | (37,577) | 1,229,718 |
| Furnishings & Equipment | 360,068 | 1,025 | (63,339) | 297,754 |
| Vehicles | 705,248 | 10,642 | (3,769) | 712,121 |
| Right-to-use asset – park lease | | 350,000 | | 350,000 |
| Total capital assets, being depreciated/amortized | 2,264,644 | 513,333 | (104,685) | 2,589,593 |
| Total accumulated depreciation | (1,562,814) | (79,556) | 88,237 | (1,554,133) |
| Total capital assets, being depreciated/amortized, net | 701,830 | 337,535 | (16,448) | 1,035,460 |
| Governmental activities capital assets, net | $ 1,029,599 | $ 1,065,559 | $ (28,991) | $ 2,078,710 |

For the year ended June 30, 2023, depreciation expense was charged to functions as follows:

| | |
|---|---|
| Governmental activities: | |
| Public safety | $ 61,386 |
| Parks and recreation | 18,170 |
| Total depreciation expense | $ 79,556 |

Business-Type Activities:

Capital asset activity for the year ended June 30, 2023 was as follows:

| | Balance July 1, 2022 | Additions/ Transfers | Deductions/ Transfers | Balance June 30, 2023 |
|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | |
| Land | $ 420,392 | | $ (33,287) | $ 387,105 |
| Construction in progress | 5,806,132 | $ 3,308,800 | (989,935) | 8,124,997 |
| Total capital assets, not being depreciated | 6,226,524 | 3,308,800 | (1,023,222) | 8,512,102 |
| Capital assets, being depreciated: | | | | |
| Structures and improvements | 31,918,078 | 1,024,630 | (146,475) | 32,796,233 |
| Equipment | 2,818,069 | 1,068,009 | (123,738) | 3,762,340 |
| Vehicles | 951,514 | 1,089,786 | (11,380) | 2,029,920 |
| Total capital assets, being depreciated | 35,867,661 | 3,182,425 | (281,593) | 38,588,493 |
| Total accumulated depreciation | (25,460,282) | (1,214,321) | 166,452 | (26,508,151) |
| Total capital assets, being depreciated, net | 10,227,379 | (1,968,104) | (115,141) | 12,080,342 |
| Business-type activities capital assets, net | $ 16,453,903 | $ 5,276,904 | $ (1,138,363) | $ 20,592,444 |

## 4. LONG-TERM DEBT

Long-term liability activity for the governmental activities the year ended June 30, 2023 was as follows:

| Governmental Activities | Balance at June 30, 2022 | Additions | Retirements | Balance at June 30, 2023 | Due within one year |
|---|---|---|---|---|---|
| Compensated absences | $ 13,704 | $ 3,173 | | $ 16,877 | $ 16,877 |
| Finance purchase | | 10,702 | | 10,702 | 2,066 |
| Lease liability – park | | 350,000 | | 350,000 | 43,367 |
| Net pension liability | 380,039 | | $ (213,591) | 166,448 | |
| Total | $ 393,743 | $ 363,875 | $ (213,591) | $ 544,027 | $ 62,310 |

Long-term liability activity for the business-type activities the year ended June 30, 2023 was as follows:

| Business-type Activities | Balance at June 30, 2022 | Additions | Retirements | Balance at June 30, 2023 | Due within one year |
|---|---|---|---|---|---|
| 2019 Wastewater Installment Sale | $ 1,392,895 | | $ (59,672) | $ 1,333,223 | $ 61,687 |
| 2019 Wastewater Refunding | 1,248,264 | | (264,090) | 984,174 | 271,502 |
| 2021 Water Refunding | 2,449,396 | | (459,098) | 1,990,298 | 469,951 |
| Net pension liability | 1,539,165 | $ 1,430,193 | | 2,969,358 | |
| Net OPEB obligation | | 91,323 | | 91,323 | |
| Finance purchase | | 1,070,354 | | 1,070,354 | 206,649 |
| Compensated absences | 182,064 | 42,123 | | 224,187 | 224,187 |
| Total | $ 6,811,784 | $ 2,633,993 | $ (782,860) | $ 8,662,917 | $ 1,233,976 |

The District issued the 2019 Wastewater Revenue Refunding Bonds (2019 Wastewater Refunding) dated December 10, 2019 in the amount of $1,906,811 with an interest rate of 2.840% to current refund the Wastewater Revenue Refunding Bonds, Series 2014 bonds (2014 Wastewater Revenue Refunding). Payments are due semiannually on July 10 and January 10. Final maturity is on July 20, 2026.

The District issued the 2019 Wastewater Revenue Installment Sale Agreement (2019 Wastewater Installment Sale) dated December 10, 2019 in the amount of $1,511,053, with an interest rate of 3.350% for the immediate replacement and improvement of the Wastewater Treatment Plant Headworks, recycled wastewater irrigation system and wastewater collection system lift station #2. Payments are due semiannually on July 10 and January 10. Final maturity is on July 10, 2039.

The District issued the 2021 Water Refunding Bonds (2021 Water Refunding) dated January 4, 2021 in the amount of $3,128,540 with an interest rate of 2.350% to current refund the 2013 Installment Sale Agreement and Water Revenue Refunding Bonds, Series 2014. Payments are due semiannually on July 10 and January 10. Final maturity is on July 10, 2027.

Annual debt service requirements for the business-type activities are as follows:

| Fiscal Year Ending June 30, | Principal | Interest | Totals |
|---|---|---|---|
| 2024 | $ 803,140 | $ 114,211 | $ 917,351 |
| 2025 | 822,780 | 93,262 | 916,042 |
| 2026 | 953,013 | 71,799 | 1,024,812 |
| 2027 | 506,811 | 48,423 | 555,234 |
| 2028 | 218,718 | 37,125 | 255,843 |
| 2029-2033 | 389,621 | 139,567 | 529,188 |
| 2034-2038 | 460,028 | 69,162 | 529,190 |
| 2039-2040 | 153,585 | 5,174 | 158,759 |
| Total | $ 4,307,695 | $ 578,723 | $ 4,886,418 |

Lease liability

In July 2022, the District entered into a lease-purchase agreement with Municipal Finance Corporation (the Corporation) to finance the acquisition, construction and equipping of certain capital improvements at the District. The District leased property to the Corporation in exchange for an advance rental. The Corporation then leased back the property to the District which is then obligated to make payments to the Corporation. An initial lease liability was recorded in the amount of $350,000 during the fiscal year ended June 30, 2023. As of June 30, 2023, the value of the lease liability was $350,000 as payments do not begin until July 2023. The lease term is 9 years with a $43,367 monthly payment. For purposes of discounting future payments on the lease, the District used a discount rate of 4.10%. The right-to-use asset as of the year ended June 30, 2023 was $350,000 and is being amortized over the remaining term of the lease. As the Corporation advanced the District the full $350,000, a deferred inflow of resources was recorded as this amount will be reduced as payments are made on the liability. The future minimum principal and interest lease payments as of June 20, 2023, are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 29,017 | $ 14,350 | $ 43,367 |
| 2025 | 30,207 | 13,160 | 43,367 |
| 2026 | 31,445 | 11,922 | 43,367 |
| 2027 | 32,734 | 10,633 | 43,367 |
| 2028 | 34,077 | 9,290 | 43,367 |
| 2029-2032 | 192,520 | 24,314 | 216,834 |
| Totals | $ 350,000 | $ 83,669 | $ 433,669 |

Finance Purchase

In February 2023, the District entered into a lease-purchase agreement with Municipal Finance Corporation (the Corporation) to finance property to be purchased and leased back to the District. The property purchased and leased to the District will transfer ownership at the end of the lease. Payments are not due to begin until February 2024. The finance purchase agreement has a gross amount of $1,129,341 for the assets financed. As of June 30, 2023, the District utilized $1,075,056 of the proceeds to purchase vehicles and anticipates using the remaining $48,285 of the proceeds in fiscal year 2024. Future minimum principal and interest lease payments as of June 30, 2023, are as follows:

| Year Ending June 30, | Total |
|---|---|
| 2024 | $ 253,324 |
| 2025 | 253,324 |
| 2026 | 253,324 |
| 2027 | 253,324 |
| 2028 | 253,326 |
| Total | 1,266,622 |
| Less amount representing interest | (137,281) |
| Present value of net minimum payments | $ 1,129,341 |

## 5. DEFINED BENEFIT PENSION PLAN

The District provides pension benefits to its employees through the California Public Employees' Retirement System (CalPERS) Miscellaneous Plan, a public agency cost-sharing multiple-employer defined benefit pension plan. CalPERS is an agency of the State of California. Qualified employees are covered under the Miscellaneous 2.7% at 55 for classic employees and 2% at 62 for PEPRA employees in the Risk Pool (the Plan). CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. This report is available online at 38www.calpers.ca.gov.

Benefits Provided

The benefits for the Plan are established by contract with CalPERS, in accordance with the provisions of the California Public Employees' Retirement Law (PERL). The benefits are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. To be eligible for service retirement, members must be at least 50 and a minimum of five years of CalPERS-credited service. Members after January 1, 2013 must be at least 52.

Contributions

Section 20814(c) of the PERL requires employer contribution rates for all public employers be determined on an annual basis by the actuary and are effective on the July 1 following notice of a change in the rate. The contributions are determined through the CalPERS' annual actuarial valuation process. The actuarially determined rate is based on the estimated amount necessary to pay the Plans allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The District's required contribution rate on covered payroll for the period ended June 30, 2023 for the PEPRA and miscellaneous plan were 7.47% and 14.03% of annual pay, respectively. Employer contributions rates may change if the Plan contract is amended.

Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

The District's Net Pension Liability (NPL) for the Plan is measured as the proportionate share of the NPL. The NPL of the Plan is measured as of June 30, 2022 for the year ended June 30, 2023. The total pension liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. As of June 30, 2023, the District's proportionate share of the Plan's net pension liability (NPL) was $3,135,806.

Using the District's individual employer rate plan's share of the risk pool TPL and Fiduciary Net Position (FNP), the proportionate shares of the TPL and FNP at the measurement date are determined for the District by the actuary. The District's employer allocation factor for the Plan as of June 30, 2022 measurement date was as follows:

| | Plan |
|---|---|
| Proportion - June 30, 2022 | 0.067015% |
| Proportion - June 30, 2021 | 0.101074% |
| Change - increase (decrease) | (0.034059%) |

For the year ended June 30, 2023, the District recognized pension expense of ($482,979). At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 62,973 | $ (42,177) |
| Change in assumptions | 321,329 | |
| Net differences between projected and actual investment earnings of pension plan investments | 574,396 | |
| Change in proportions | 7,537 | (359,603) |
| Change in proportionate share of contributions | 96,710 | |
| Pension contributions subsequent to measurement date | 383,290 | |
| Total | $ 1,446,235 | $ (401,780) |

The $383,290 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the NPL in the year ending June 30, 2024. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized as pension expense as follows:

| Year Ended June 30 | |
|---|---|
| 2024 | $ 150,827 |
| 2025 | 109,017 |
| 2026 | 50,001 |
| 2027 | 351,320 |

**Actuarial Assumptions**

For the measurement period ended June 30, 2022 (the measurement date), the TPL was determined by rolling forward the June 30, 2021 TPL, with update procedures used to roll forward the total pension liability to June 30, 2022. The June 30, 2021 TPL amounts were based on the following actuarial methods and assumptions:

| | |
|---|---|
| Actuarial Cost Method | Entry-Age Normal |
| Actuarial Assumptions: | |
| Discount Rate | 6.90% |
| Inflation | 2.30% |
| Salary Increases | Varies by Entry Age and Service |
| Mortality Rate Table(1) | Derived using CalPERS' Membership data for all Funds |
| Post Retirement Benefit Increase | Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies |

(1) The mortality table used was developed based on CalPERS' specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries.

**Change in assumptions**

Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%.

**Discount Rate**

The discount rate used to measure the TPL was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as followed:

| Asset Class[1] | Assumed Asset Allocation | Real Return Years 1 – 10[1,2] |
|---|---|---|
| Global Equity- cap-weighted | 30.00% | 4.45% |
| Global Equity non-cap-weighted | 12.00% | 3.84% |
| Private Equity | 13.00% | 7.28% |
| Treasury | 5.00% | 0.27% |
| Mortgage-backed securities | 5.00% | 0.50% |
| Investment Grade Corporates | 10.00% | 1.56% |
| High Yield | 5.00% | 2.27% |
| Emerging Market Debt | 5.00% | 2.48% |
| Private Debt | 5.00% | 3.57% |
| Real Assets | 15.00% | 3.21% |
| Leverage | (5.00%) | (0.59%) |
| Total | 100.00% | |

(1) An expected inflation of 2.30% was used for this period.
(2) Figures are based on the 2021-22 Asset Liability management study.

**Sensitivity of the District's Proportional Share of the NPL to Changes in the Discount Rate**

The following presents the District's Proportional Share of the NPL of the Plan as of the measurement date, calculated using the discount rate of 6.90%, as well as what the District's Proportional Share of the NPL would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90%) or 1 percentage-point higher (7.90%) than the current rate:

| | Discount Rate – 1% | Current Discount Rate | Discount Rate + 1% |
|---|---|---|---|
| District's Proportionate Share of Plan's NPL | $ 5,095,344 | $ 3,135,806 | $ 1,523,593 |

Recognition of Gains and Losses

Under GASB Statement No. 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

| | |
|---|---|
| Difference between projected and actual earnings | 5 year straight-line amortization |
| All other amounts | Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period |

## 6. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The District has established a retiree healthcare plan that provides other postemployment health, dental, and vision care benefits for eligible retired employees and their dependents through the retiree healthcare plan (the Plan). The District, through the authorization of their Board of Directors, elected to establish an irrevocable trust for the Plan through the California Employers' Retiree Trust (CERBT) fund, an agent multiple-employer plan, administered by CalPERS. The CERBT has pooled administrative and investment functions, while separate employer accounts are maintained to prefund and pay for health care or other postemployment benefits in accordance with the terms of the participating employers' plans. The CERBT offers three investment strategies for employers to choose from depending on their expected levels of return and volatility. Benefit provisions are established by the District.

Benefits Provided

Employees who, 1) retire from the District after at least the minimum number of years of service, as specified by their contract with the District, and 2) who continue health insurance through a District-sponsored health insurance plan, will continue to pay their health insurance premium, at the same level of benefits as the retiree had at the time of retirement. The District will also continue contributing to the retirees Health Savings Account, until the retiree reaches the age of 65, after which, the retiree shall receive the Medicare Supplement insurance coverage.

Employees Covered

As of the July 1, 2021 actuarial valuation, the following inactive and active employees were covered by the benefit terms under the OPEB Plan:

| | |
|---|---|
| Inactive employees receiving benefits | 14 |
| Inactive employees entitled to but not receiving benefits | 0 |
| Participating active employees | 6 |
| Total | 20 |

Contributions

The District provides benefits on a pay-as-you-go basis. The District's policy is to prefund their benefits from time to time at the sole discretion of the Board by accumulating assets in the CERBT. The District's employees are not required to contribute to the plan.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined using the Alternative Measurement Method with a valuation date of July 1, 2021. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

**Actuarial Assumptions**

The total OPEB liability (asset) was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| Actuarial Assumptions: | |
|---|---|
| Salary increases | 3.00% |
| Inflation rate | 2.75% |
| Investment rate of return | 6.00%, net of OPEB plan investment expense |
| Health care cost trend rates | 5.50% for 2022 decreasing to 5.25 percent for 2023, 5.20 percent for 2024-2069, and 4.00 percent for 2070 and later years; Medicare ages: 4.00 percent for all years. |

Pre-retirement mortality rates from CalPERS Experience Study (2000-2019). Post-retirement mortality rates for Healthy Recipients from CalPERS Experience Study (2000-2019).

Actuarial assumptions used in the July 1, 2021 valuation were based on a review of plan experience during the period July 1, 2019 to June 30, 2021.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. The calculated investment rate of return was set equal to the expected ten-year compound (geometric) real return plus inflation (rounded to the nearest 25 basis points, where appropriate). The table below provides the long-term expected real rates of return by asset class (based on published capital market assumptions).

The CERBT offers three diversified allocation strategies. The District has elected to participate in CERBT's Strategy 3 which has the lowest long-term expected rate of return and return volatility. The following table shows the target asset allocation for employers participating in CERBT Strategy 3:

| Asset Class | Assumed Asset Allocation | Real Rate of Return |
|---|---|---|
| Global ex-U.S. Equity | 22% | 5.5% |
| U.S Fixed | 49% | 1.5% |
| TIPS | 16% | 1.2% |
| Real Estate | 8% | 3.7% |
| Commodities | 5% | 0.6% |
| Total | 100% | |

For the June 30, 2022 measurement date, the annual money-weighted rate of return on investments, net of investment expense, was -10.76%. The money-weighted rate of return expenses investment performance, net of investment expense, adjusted for the changing amounts invested.

**Discount Rate**

Accounting standards for OPEB require a discount rate that reflects the following:

a) The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan's fiduciary net position (if any) is projected to be enough to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;

b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions in (a) are not met.

To determine a resulting single (blended) rate, the amount of the plan's projected fiduciary net position (if any) and the amount of projected benefit payments is compared in each period of projected benefit payments. The discount rate used to measure the District's total OPEB liability at June 30, 2023 is based on these requirements and the following information:

| Measurement Date | Long-Term Expected Return on Plan Investments (if any) | Municipal Bond 20-Year High Grade Rate Index | Discount Rate |
|---|---|---|---|
| June 30, 2022 | 6.00% | 3.69% | 6.00% |

**Changes in the Net OPEB Liability (Asset)**

The changes in the Net OPEB liability (asset) for the OPEB Plan are as follows:

| | Increase (Decrease) | | |
|---|---|---|---|
| | **Total OPEB Liability (TOL) (a)** | **Plan Fiduciary Net Position (b)** | **Net OPEB Liability (Asset) (a)-(b)** |
| Balance at June 30, 2022 | $ 1,219,800 | $ 1,290,189 | $ (70,389) |
| (Measurement date June 30, 2021) | | | |
| Changes recognized for the measurement period: | | | |
| Service cost | 16,992 | | 16,992 |
| Interest on TOL | 72,237 | | 72,237 |
| Difference between expected and actual experience | | | |
| Changes in assumptions or other inputs | | | |
| Contributions—employer | | 66,644 | (66,644) |
| Actual investment income | | (138,799) | 138,799 |
| Benefit payments | (66,644) | (66,644) | |
| Administrative expense | | (328) | 328 |
| Net changes | 22,585 | (139,127) | 161,712 |
| Balance at June 30, 2023 (Measurement date June 30, 2022) | $ 1,242,385 | $ 1,151,062 | $ 91,323 |

**Sensitivity of the District's Net OPEB Liability (Asset) to Changes in the Discount Rate**

The following presents the net OPEB liability (asset) of the District, as well as what the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

| | **Discount Rate – 1% (5.00%)** | **Current Discount Rate (6.00%)** | **Discount Rate +1% (7.00%)** |
|---|---|---|---|
| Net OPEB liability (asset) | $ 250,382 | $ 91,323 | $ (40,771) |

**Sensitivity of the District's Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates**

The following presents the net OPEB liability (asset) of the District, as well as what the net OPEB liability (asset) would be if it were calculated using a healthcare cost trend rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

| | **Health Care Trend Rate –1% (4.00%)** | **Health Care Trend Rate (5.00%)** | **Health Care Trend Rate +1% (6.00%)** |
|---|---|---|---|
| Net OPEB liability (asset) | $ (59,216) | $ 91,323 | $ 275,286 |

OPEB plan fiduciary net position

Detailed information about the Plan's fiduciary net position is available on CalPER's website in an annual report titled "California Employers' Retiree Benefit Trust, Agent Multiple-Employer Other Postemployment Benefits Plan, Schedule of Changes in Fiduciary Net Position by Employer". Additionally, CalPERS annually issues an Annual Comprehensive Financial Report which includes the CERBT fund's financial statements.

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss:

| | |
|---|---|
| Net differences between projected and actual earnings on OPEB Trust investments | 5 years |
| All other amounts | 3.9 years, Expected average remaining service lives (EARSL) of plan participants |

OPEB Expense and Deferred Outflows/Inflows Related to OPEB

For the year ended June 30, 2023, the District recognized OPEB expense of ($427,388). At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| OPEB contributions subsequent to measurement date | $ 67,449 | |
| Change in assumptions | 4,467 | $ (2,156) |
| Differences between expected and actual experience | | (137,624) |
| Net difference between projected and actual return on investments | 119,665 | |
| Total | $ 191,581 | $ (139,780) |

The $67,449 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2022 measurement date will be recognized as a reduction of the net OPEB liability (asset) during the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized as pension expense as follows:

| Year Ended June 30 | | |
|---|---|---|
| 2024 | $ | (110,575) |
| 2025 | | 25,546 |
| 2026 | | 26,141 |
| 2027 | | 43,240 |

## 7. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries insurance. The District is a member of the Special District Risk Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority, created pursuant to California Government Code Sections 6500 et. seq., effective July 1, 2006. During its membership, the general and auto liability, employee dishonesty coverage, property loss, boiler and machinery, public officials' personal liability, workers' compensation coverage and employer's liability policies were in effect, with excess coverage for general and auto liability, and errors and changes of $10 million. Following is SDRMA's summary financial information as of June 30, 2022:

| | | | |
|---|---|---|---|
| Total Assets | $ 140,005,598 | | |
| Total Deferred Outflows of Resources | 750,427 | Total Operating Revenues | $ 88,964,501 |
| Total Liabilities | (72,967,545) | Total Operating Expenses | (80,958,538) |
| Total Deferred Inflows of Resources | (445,351) | Total Nonoperating income | (7,006,121) |
| Total Net Position | $ 67,343,129 | Change in Net Position | $ 999,842 |

# REQUIRED SUPPLEMENTARY INFORMATION

# GROVELAND COMMUNITY SERVICES DISTRICT

## BUDGETARY COMPARISON SCHEDULE
## FIRE PROTECTION FUND
## YEAR ENDED JUNE 30, 2023

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **REVENUES:** | | | | |
| Property taxes | $ 1,170,246 | $ 1,170,246 | $ 1,321,698 | $ 151,452 |
| Interest earnings | 2,000 | 2,000 | 22,622 | 20,622 |
| Federal revenue | 25,000 | 25,000 | 41,593 | 16,593 |
| State revenue | 410,000 | 410,000 | 45,001 | (364,999) |
| Other revenue | 20,000 | 20,000 | 25,023 | 5,023 |
| Total revenues | 1,627,246 | 1,627,246 | 1,455,937 | (171,309) |
| **EXPENDITURES:** | | | | |
| Public safety | 1,657,164 | 1,557,361 | 1,318,284 | 239,077 |
| Capital outlay | 532,785 | 532,785 | 428,919 | 103,866 |
| Total expenditures | 2,189,949 | 2,090,146 | 1,747,203 | 342,943 |
| Excess (deficiency) of revenues over expenditures | (562,703) | (462,900) | (291,266) | 171,634 |
| **OTHER FINANCING SOURCES (USES):** | | | | |
| Proceeds from lease assets loan | | | 8,918 | 8,918 |
| Net change in fund balance | (562,703) | (462,900) | (282,348) | 180,552 |
| Fund balances - beginning | 948,732 | 948,732 | 948,732 | |
| Fund balances - ending | $ 386,029 | $ 485,832 | $ 666,384 | $ 180,552 |

# GROVELAND COMMUNITY SERVICES DISTRICT

## BUDGETARY COMPARISON SCHEDULE
## PARKS AND RECREATION FUND
## YEAR ENDED JUNE 30, 2023

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **REVENUES:** | | | | |
| Property taxes | $ 101,759 | $ 101,759 | $ 114,930 | $ 13,171 |
| Interest earnings | 650 | 650 | 16,261 | 15,611 |
| Charges for services | 3,000 | 3,000 | 2,660 | (340) |
| State revenue | 948,311 | 948,311 | 246,491 | (701,820) |
| Use of money and property | 56,675 | 56,675 | 56,955 | |
| Other revenue | 2,000 | 2,000 | 2,180 | 180 |
| Total revenues | 1,112,395 | 1,112,395 | 439,477 | (673,198) |
| **EXPENDITURES:** | | | | |
| Parks and recreation | 161,990 | 161,990 | 154,933 | 7,057 |
| Capital outlay | 1,046,245 | 1,046,245 | 366,198 | 680,047 |
| Total expenditures | 1,208,235 | 1,208,235 | 521,131 | 687,104 |
| Excess (deficiency) of revenues over expenditures | (95,840) | (95,840) | (81,654) | 14,186 |
| **OTHER FINANCING SOURCES (USES):** | | | | |
| Proceeds from lease assets loan | | | 351,784 | 351,784 |
| Net change in fund balance | (95,840) | (95,840) | 270,130 | 365,970 |
| Fund balances - beginning | 165,433 | 165,433 | 165,433 | |
| Fund balances - ending | $ 69,593 | $ 69,593 | $ 435,563 | $ 365,970 |

# GROVELAND COMMUNITY SERVICES DISTRICT

## SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY (ASSET) AND RELATED RATIOS FOR THE MEASUREMENT PERIOD ENDED JUNE 30, LAST 10 YEARS*

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|
| **TOTAL OPEB LIABILITY** | | | | | | |
| Service cost | $ 16,992 | $ 17,182 | $ 31,442 | $ 32,296 | $ 122,616 | $ 119,046 |
| Interest | 72,237 | 88,436 | 88,057 | 173,050 | 160,907 | 151,247 |
| Differences between expected and actual experience | | (308,722) | | (1,423,388) | | |
| Changes of assumptions and other inputs | | 13,401 | | (88,448) | | |
| Benefit payments | (66,644) | (93,124) | (104,561) | (113,741) | (113,141) | (105,560) |
| **NET CHANGE IN TOTAL OPEB LIABILITY** | 22,585 | (282,827) | 14,938 | (1,420,231) | 170,382 | 164,733 |
| **TOTAL OPEB LIABILITY, Beginning** | 1,219,800 | 1,502,627 | 1,487,689 | 2,907,920 | 2,737,538 | 2,572,805 |
| **TOTAL OPEB LIABILITY, Ending (a)** | 1,242,385 | 1,219,800 | 1,502,627 | 1,487,689 | 2,907,920 | 2,737,538 |
| **PLAN FIDUCIARY NET POSITION** | | | | | | |
| Contributions—employer | 66,644 | 93,124 | 104,561 | 298,741 | 295,909 | 286,010 |
| Contributions—employee | | | | | | |
| Net investment income | (138,799) | 154,079 | 67,685 | 59,152 | 28,892 | 15,864 |
| Benefit payments | (66,644) | (93,124) | (104,561) | (113,741) | (113,141) | (105,560) |
| Trustee fees | | | | | (814) | |
| Administrative expense | (328) | (401) | (531) | (179) | (319) | (218) |
| **NET CHANGE IN PLAN FIDUCIARY NET POSITION** | (139,127) | 153,678 | 67,154 | 243,973 | 210,527 | 196,096 |
| **PLAN FIDUCIARY NET POSITION, Beginning** | 1,290,189 | 1,136,511 | 1,069,357 | 825,384 | 614,857 | 418,761 |
| **PLAN FIDUCIARY NET POSITION, Ending (b)** | 1,151,062 | 1,290,189 | 1,136,511 | 1,069,357 | 825,384 | 614,857 |
| **DISTRICT'S NET OPEB LIABILITY (ASSET), Ending (a) - (b)** | $ 91,323 | $ (70,389) | $ 366,116 | $ 418,332 | $ 2,082,536 | $ 2,122,681 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 92.65% | 105.77% | 75.63% | 71.88% | 28.38% | 22.46% |
| Covered-employee payroll | $ 533,072 | $ 479,466 | $ 473,494 | $ 469,796 | $ 595,041 | $ 677,904 |
| District's net OPEB liability as a percentage of covered-employee payroll | 17.13% | -14.68% | 77.32% | 89.05% | 349.98% | 313.12% |

Notes to Schedule:

There were no changes to benefit terms or assumptions during the measurement period ending June 30, 2022, 2020, 2018 or 2017. For the measurement date ended June 30, 2019, the healthcare cost trend rate changed from 5% for 2018 and later years to 6.00% for 2019 decreasing 0.10 percent each year to an ultimate rate of 5.00 percent for 2029 and later years. For the measurement date ended June 30, 2021, the inflation rate decreased from 3.00% to 2.75%.

* Fiscal year 2018 was the 1st year of implementation, therefore only six years are presented.

# GROVELAND COMMUNITY SERVICES DISTRICT

## SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS OF JUNE 30, LAST 10 YEARS*

| | Measurement Date | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **2022** | **2021** | **2020** | **2019** | **2018** | **2017** | **2016** | **2015** | **2014** |
| District's proportion of the net pension liability | 0.067015% | 0.101074% | 0.065284% | 0.064348% | 0.063390% | 0.061405% | 0.061035% | 0.059813% | 0.048550% |
| District's proportionate share of the net pension liability | $ 3,135,806 | $ 1,919,204 | $ 2,753,741 | $ 2,576,825 | $ 2,388,940 | $ 2,420,627 | $ 2,120,274 | $ 1,640,950 | $ 1,199,800 |
| District's covered-employee payroll | $ 1,596,175 | $ 1,272,283 | $ 1,097,703 | $ 758,439 | $ 819,134 | $ 832,387 | $ 704,247 | $ 909,010 | $ 898,662 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 196.46% | 150.85% | 250.86% | 339.75% | 291.64% | 290.81% | 301.07% | 180.52% | 133.51% |
| Plan fiduciary net position as a percentage of the total pension liability | 76.68% | 88.28% | 75.10% | 75.26% | 75.26% | 73.31% | 74.06% | 78.40% | 81.15% |

**Notes to Schedule:**

**Change of benefit terms –** There have been no changes to the benefit terms.

**Changes in assumptions –** GASB 68 states that the long-term expected rate of return should be determined net pension plan investment expenses, but without reduction for pension plan administrative expense. The discount rate changed from 7.50% (net of administrative expenses in 2014) to 7.65% as of the June 30, 2015 measurement date to correct the adjustment, which previously reduced the discount rate for administrative expenses. For the measurement period ended June 30, 2021, 2020, 2019, 2018, 2016 and 2014, there were no changes in assumptions. As of June 2017 measurement date the financial reporting discount rate for the PERF C was lowered from 7.65% to 7.15%. As of June 30, 2022 measurement date, the discount rate for PERF C was lowered from 7.15% to 6.90%.

* Fiscal year 2015 was the 1st year of implementation, therefore only nine years are shown.

# GROVELAND COMMUNITY SERVICES DISTRICT

## SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
## AS OF JUNE 30,
## LAST 10 YEARS*

| | Fiscal Year | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **2023** | **2022** | **2021** | **2020** | **2019** | **2018** | **2017** | **2016** | **2015** |
| Contractually required contribution (actuarially determined) | $ 383,290 | $ 406,900 | $ 352,913 | $ 296,831 | $ 231,810 | $ 199,766 | $ 184,529 | $ 157,772 | $ 96,691 |
| Contributions in relation to the contractually required contributions | (383,290) | (406,900) | (352,913) | (296,831) | (231,810) | (199,766) | (184,529) | (157,772) | (96,691) |
| Contribution deficiency (excess) | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| District's covered-employee payroll | $ 1,679,024 | $ 1,596,175 | $ 1,272,283 | $ 1,097,703 | $ 758,439 | $ 819,134 | $ 832,387 | $ 704,247 | $ 909,010 |
| Contributions as a percentage of covered-employee payroll | 22.83% | 25.49% | 27.74% | 27.04% | 30.56% | 24.39% | 22.17% | 22.40% | 10.64% |

* Fiscal year 2015 was the 1st year of implementation, therefore only nine years are shown.

# SUPPLEMENTARY INFORMATION

# GROVELAND COMMUNITY SERVICES DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
## YEAR ENDED JUNE 30, 2023

| Federal Grantor/Pass-Through Grantor/ Program or Cluster Title | Assistance Listing Number | Pass-Through Identifying Number | Passed Through to Subrecipients | Federal Expenditures |
|---|---|---|---|---|
| **Environmental Protection Agency** | | | | |
| Clean Water State Revolving Fund (CWSRF) Cluster: | | | | |
| Passed through State Water Resources Control Board | | | | |
| Capitalization Grants for Clean Water State Revolving Funds | 66.458 | C-06-8109-210 | N/A | $ 2,209,210 |
| **U.S. Department of Agriculture** | | | | |
| USDA Rural Development | 10.U01 | N/A | N/A | 50,000 |
| **U.S. Department of Homeland Security/Federal Emergency Management Agency** | | | | |
| Passed through CalFire | | | | |
| FEMA COVID Gloves | 97.044 | EMW-2020-FG-05121 | N/A | 257 |
| FEMA Firefighters Grant Exhaust System | 97.044 | N/A | N/A | 41,336 |
| **Total U.S. Department of Homeland Security** | | | | 41,593 |
| **Total Expenditures of Federal Awards** | | | | $ 2,300,803 |

## 1. PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The audit of the District for the year ended June 30, 2023, was conducted in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), which requires disclosure of the financial activities of all federally funded programs. To comply with Uniform Guidance, the Schedule of Expenditures of Federal Awards was prepared by the District.

- General – The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the District. The District reporting entity is defined in Note 1 to the District's basic financial statements.

- Basis of Accounting – The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the District's basic financial statements.

- Indirect Cost Rate – The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

- Subrecipients – The District did not provide federal awards to subrecipients during the year ended June 30, 2023.

# OTHER INDEPENDENT AUDITOR'S REPORTS

BRYANT L. JOLLEY
CERTIFIED PUBLIC ACCOUNTANTS

Bryant L. Jolley C.P.A.
Ryan P. Jolley C.P.A.
Darryl L. Smith C.P.A.
Luis A. Perez C.P.A.
Lan T. Kimoto

# 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
Groveland Community Services District
Groveland, California

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, and each major fund of the Groveland Community Services District (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 5, 2023.

## Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's 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 internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

901 "N" STREET, SUITE 104 FIREBAUGH, CALIFORNIA 93622 PHONE 559.659.3045 FAX 559.659.0615

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's 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.

December 5, 2023

BRYANT L. JOLLEY
CERTIFIED PUBLIC ACCOUNTANTS

Bryant L. Jolley C.P.A.
Ryan P. Jolley C.P.A.
Darryl L. Smith C.P.A.
Luis A. Perez C.P.A.
Lan T. Kimoto

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

To the Board of Directors
Groveland Community Services District
Groveland, California

## Report on Compliance for Each Major Federal Program

### *Opinion on Each Major Federal Program*

We have audited Groveland Community Service District (the District)'s 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 the District's major federal programs for the year ended June 30, 2023. The District's 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, the 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 year ended June 30, 2023.

### *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 the 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 the District's 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 the District's federal programs.

901 "N" STREET, SUITE 104 FIREBAUGH, CALIFORNIA 93622 PHONE 559.659.3045 FAX 559.659.0615

***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 the District's 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 the District's 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 the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's 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 the District's 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 Auditor's 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.

December 5, 2023

# FINDINGS AND QUESTIONED COSTS SECTION

# GROVELAND COMMUNITY SERVICES DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS
## YEAR ENDED JUNE 30, 2023

### A. SUMMARY OF AUDITOR'S RESULTS

*Financial Statements*

| | | |
|---|---|---|
| Type of auditor's report issued | Unmodified | |
| Internal control over financial reporting: | | |
| Material weakness(es) identified? | _______Yes | ___X___No |
| Significant deficiency(ies) identified? | _______Yes | ___X___None Reported |
| Noncompliance material to financial statements noted? | _______Yes | ___X___No |

*Federal Awards*

| | | |
|---|---|---|
| Internal control over major programs: | | |
| Material weakness(es) identified? | _______Yes | ___X___No |
| Significant deficiency(ies) identified? | _______Yes | ___X___None Reported |
| Type of auditor's report issued on compliance for major programs: | Unmodified | |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | _______Yes | ___X___No |

Identification of major programs

| Assistance Listing Number | Name of Federal Programs or Cluster |
|---|---|
| 66.458 | Clean Water State Revolving Fund (CWSRF) Cluster |

| | | |
|---|---|---|
| Dollar threshold used to distinguish between Type A and Type B programs: | $750,000 | |
| Auditee qualified as low-risk auditee? | _______ Yes | ___X___No |

### B. FINANCIAL STATEMENT FINDINGS

None noted.

### C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None noted.

# GROVELAND COMMUNITY SERVICES DISTRICT

## SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
## YEAR ENDED JUNE 30, 2023

None.