

# Groveland Community Services District



Tuolumne County  
Groveland, California

Financial Statements with  
Independent Auditor's Report

Year Ended June 30, 2022

**GROVELAND  
COMMUNITY SERVICES DISTRICT**

**TUOLUMNE COUNTY  
GROVELAND, CALIFORNIA**

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

**YEAR ENDED JUNE 30, 2022**

# GROVELAND COMMUNITY SERVICES DISTRICT

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## **FINANCIAL SECTION**

**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, each major fund, and the aggregate remaining fund information of the Groveland Community Services District (the District) as of and for the year ended June 30, 2022, 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, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2022, 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 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.

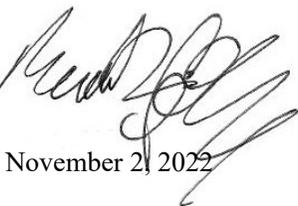
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***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 3 – 18 and pages 50 – 54 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.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2022, 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.



November 21, 2022

# GROVELAND COMMUNITY SERVICES DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2022

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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.

# GROVELAND COMMUNITY SERVICES DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2022

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### **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.

# GROVELAND COMMUNITY SERVICES DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2022

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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, 2022. 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](http://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.

# GROVELAND COMMUNITY SERVICES DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2022

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- **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 \$18,718,145 as of June 30, 2022. 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. The remaining balance of \$6,243,906 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.

# GROVELAND COMMUNITY SERVICES DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2022

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Current assets and other assets	\$ 1,166,715	\$ 1,192,181	\$ 9,351,656	\$ 9,046,649	\$ 10,518,371	\$ 10,238,830
Capital assets	<u>1,029,599</u>	<u>764,931</u>	<u>16,453,903</u>	<u>15,069,463</u>	<u>17,483,502</u>	<u>15,834,394</u>
Total assets	<u>2,196,314</u>	<u>1,957,112</u>	<u>25,805,559</u>	<u>24,116,112</u>	<u>28,001,873</u>	<u>26,073,224</u>
Total deferred outflows of resources	<u>143,770</u>	<u>148,689</u>	<u>729,159</u>	<u>705,553</u>	<u>872,929</u>	<u>854,242</u>
Long-term liabilities	393,743	645,668	6,811,784	8,508,124	7,205,527	9,153,792
Other liabilities	<u>50,710</u>	<u>30,995</u>	<u>465,619</u>	<u>456,252</u>	<u>516,329</u>	<u>487,247</u>
Total liabilities	<u>444,453</u>	<u>676,663</u>	<u>7,277,403</u>	<u>8,964,376</u>	<u>7,721,856</u>	<u>9,641,039</u>
Total deferred inflows of resources	<u>365,202</u>	<u>88,125</u>	<u>2,069,599</u>	<u>735,928</u>	<u>2,434,801</u>	<u>824,053</u>
Net position:						
Net investment in capital assets	1,029,599	764,931	11,444,640	9,332,723	12,474,239	10,097,654
Unrestricted	<u>500,830</u>	<u>576,082</u>	<u>5,743,076</u>	<u>5,788,638</u>	<u>6,243,906</u>	<u>6,364,720</u>
Total net position	<u>\$ 1,530,429</u>	<u>\$ 1,341,013</u>	<u>\$17,187,716</u>	<u>\$15,121,361</u>	<u>\$ 18,718,145</u>	<u>\$ 16,462,374</u>

### Changes in Net Position

The net position of the District as a whole was \$18,718,145 as of June 30, 2022. This is an overall increase in net position of \$2,255,771 from the prior year. Total investment in capital assets of \$12,474,239 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, 2022 was \$1,530,429. This is an overall increase in net position of \$189,416 from the prior year; primarily the result of expenses increasing at a higher rate than the growth in property tax revenue. 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 4.6%, \$57,956 in FY2022. Total revenue exceeded total expenses which accounts for the increase in net position.

# GROVELAND COMMUNITY SERVICES DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2022

**Business-type activities** – For the District’s business-type activities the net position as of June 30, 2022 was \$17,187,716 as shown below. This is an overall increase in net position of \$2,066,355 from the prior year. Total revenues exceeded expenses which accounts for the increase in net position. This is due to an



increase in base monthly and commodity rates for services for fiscal year 2021/2022, which were implemented to improve the cash position of the District and provide additional cash for investments in replacing and upgrading fixed assets, such as infrastructure and equipment. The rate increases were also necessary to provide the cashflow necessary to qualify for the maximum grants and other state and federal funding assistance received for improvement projects.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Program revenues:						
Charges for services	\$ 3,120	\$ 2,778	\$ 6,091,031	\$ 5,985,612	\$ 6,094,151	\$ 5,988,390
Capital grants and contributions	-	-	1,751,144	2,329,552	1,751,144	2,329,552
Operating grants and contributions	23,226	140,768	-	115,675	23,226	256,443
General revenues:						
Property taxes	1,323,130	1,265,174	3,880	3,740	1,327,010	1,268,914
Interest income	4,756	6,109	18,707	21,643	23,463	27,752
State revenue	237,483	136,239	-	-	237,483	136,239
Federal Revenue	2,231	-	20,535	-	22,766	-
Other revenues	67,766	91,644	1,512	16,150	69,278	107,794
Loss on disposal of capital asset	(3,751)	-	(3,700)	(42,721)	(7,451)	(42,721)
Total revenues	<u>1,657,961</u>	<u>1,642,712</u>	<u>7,883,109</u>	<u>8,429,651</u>	<u>9,541,070</u>	<u>10,072,363</u>
Expenses:						
Public safety	1,311,632	1,595,232	-	-	1,311,632	1,595,232
Parks and recreation	156,913	130,666	-	-	156,913	130,666
Water	-	-	3,196,193	2,628,808	3,196,193	2,628,808
Davis-Grunsky	-	-	97	2,308	97	2,308
Sewer	-	-	2,620,464	1,970,032	2,620,464	1,970,032
Total expenses	<u>1,468,545</u>	<u>1,725,898</u>	<u>5,816,754</u>	<u>4,601,148</u>	<u>7,285,299</u>	<u>6,327,046</u>
Change in net position	189,416	(83,186)	2,066,355	3,828,503	2,255,771	3,745,317
Net position - beginning	<u>1,341,013</u>	<u>1,424,199</u>	<u>15,121,361</u>	<u>11,292,858</u>	<u>16,462,374</u>	<u>12,717,057</u>
Net position - ending	<u>\$ 1,530,429</u>	<u>\$ 1,341,013</u>	<u>\$ 17,187,716</u>	<u>\$ 15,121,361</u>	<u>\$ 18,718,145</u>	<u>\$ 16,462,374</u>

# GROVELAND COMMUNITY SERVICES DISTRICT

## MANAGEMENT’S DISCUSSION AND ANALYSIS JUNE 30, 2022

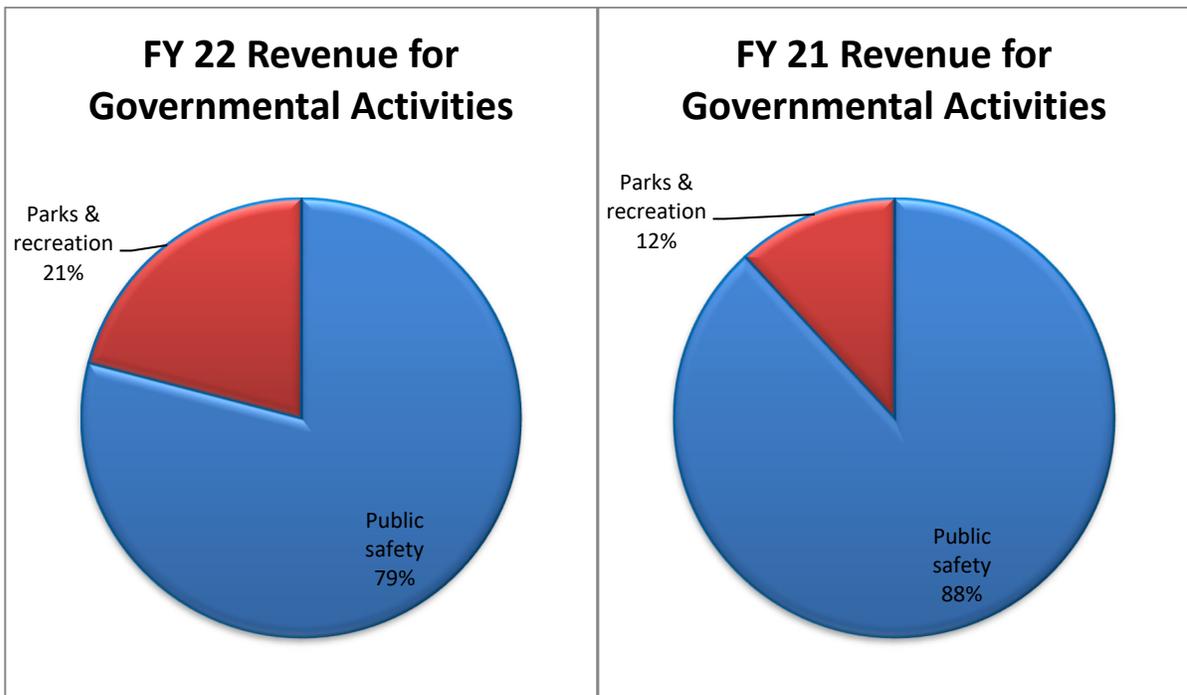
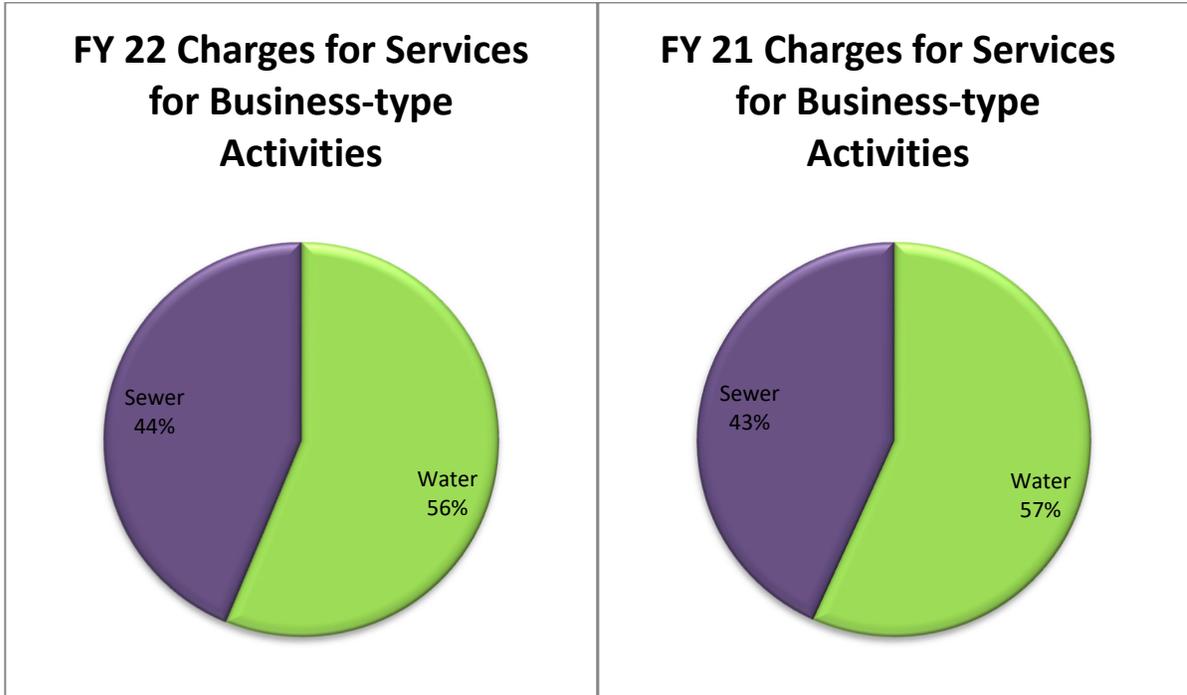
**Designated Reserves** - Also funded by the water and sewer rate increases were water and sewer infrastructure and equipment replacement reserves established beginning in fiscal year 2015/16 for the water fund and in 2018/19 for the sewer fund. The designated reserves were created specifically to fund 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:

<b>Infrastructure and Equipment Reserves</b>				
<b>Fiscal Year</b>	<b>Water (Annual Capital Outlay &amp; Reserved)</b>	<b>Sewer (Annual Capital Outlay)</b>	<b>Sewer (Reserve)</b>	
2015/16	\$450,000	\$0	\$	-
2016/17	\$463,500	\$0	\$	-
2017/18	\$477,405	\$0	\$	-
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
<b>Total</b>	<b>\$3,402,069</b>	<b>\$1,200,000</b>		<b>\$400,000</b>
<b>Capital Expenditures*</b>	\$ 7,087,727	\$ 2,455,638	\$	-
<b>Grants Received**</b>	\$ (4,846,294)	\$ (1,143,373)	\$	-
<b>Reserve Balance</b>	<b>\$ 1,160,636</b>	<b>\$ (112,265)</b>	<b>\$</b>	<b>400,000</b>

The water and sewer rate increases and reserve funds have provided for the upgrade and replacement of \$9,543,386 in equipment, facility renovations and infrastructure since established, including the leveraging of \$1,751,143 in grant funding reimbursements received during the fiscal year and resulted in a total accumulated water reserve of \$1,160,636 and sewer reserve of \$287,735 through June 30, 2022.

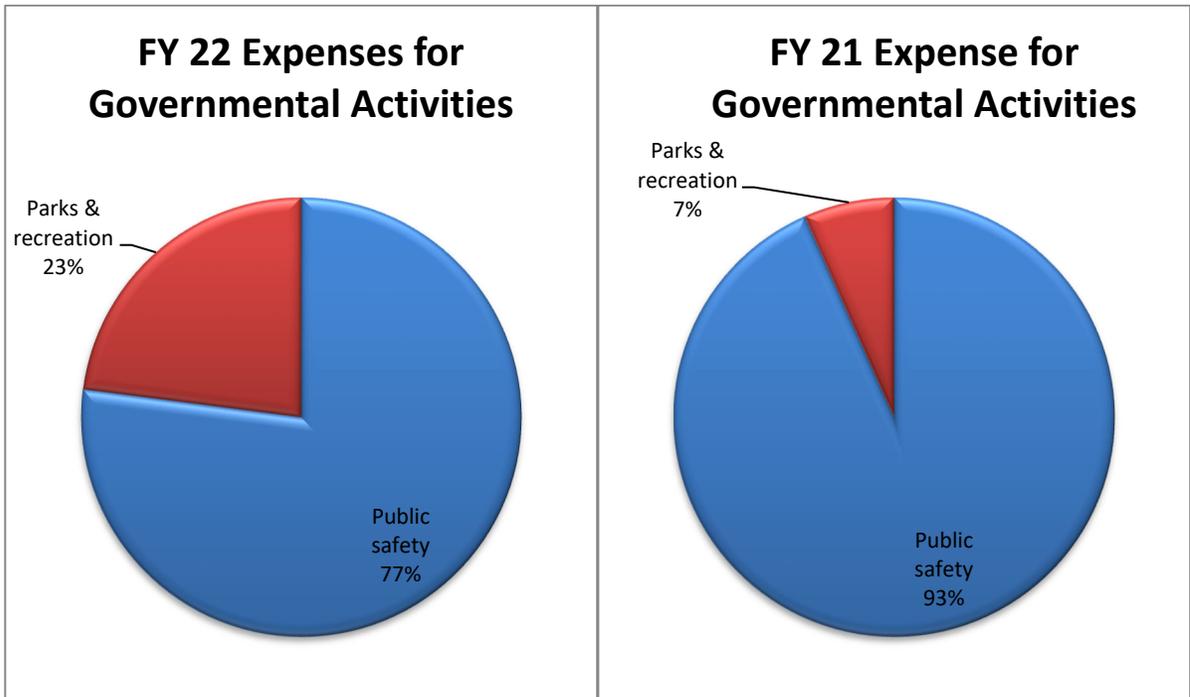
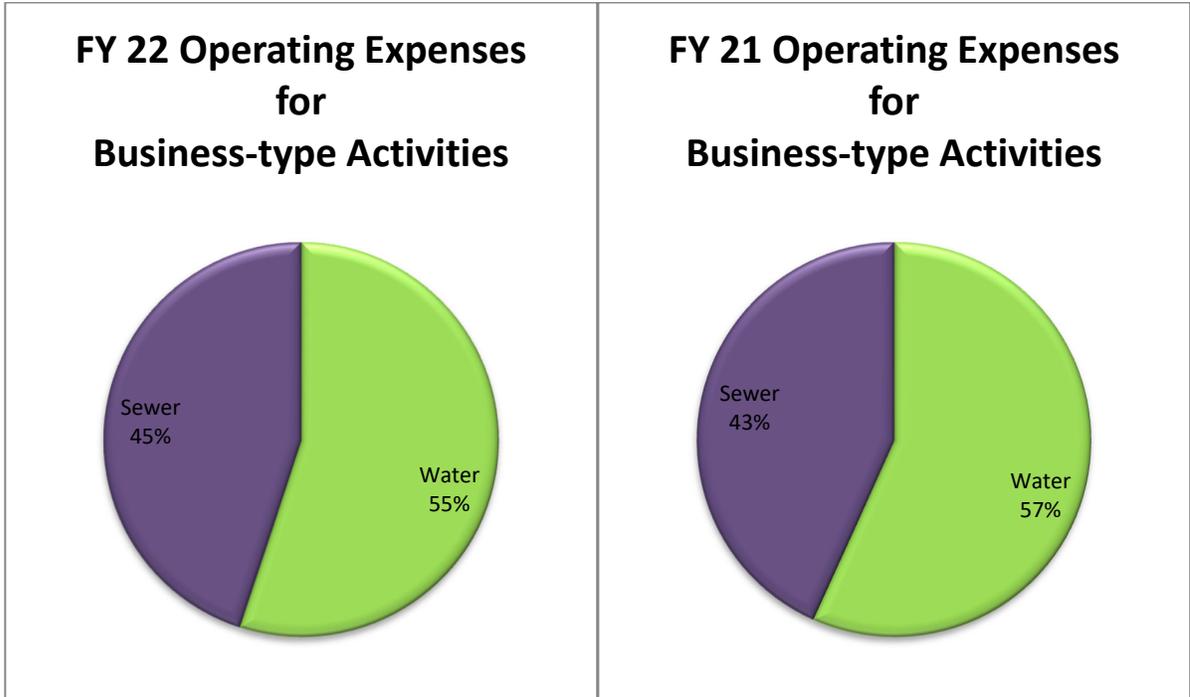
# GROVELAND COMMUNITY SERVICES DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2022



# GROVELAND COMMUNITY SERVICES DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2022



# GROVELAND COMMUNITY SERVICES DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2022

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### 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 in fiscal year 2021/22, the fire department fund balance was reduced by \$2,515 due to expenses exceeding revenue. The District estimates that without additional revenue, the remaining fire department cash will be depleted in less than three years 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. This action by the county will reduce the drawdown of the fire department fund balance in future years, but does not balance the fire department revenue and expense.

# GROVELAND COMMUNITY SERVICES DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2022

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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 \$341,013, a net decrease from nonoperating activities of \$82,405 and a net increase in capital activity of \$1,602,048 for a total increase in net position of \$1,860,656. The primary capital activity item was grant revenue of \$1,602,048 and primary nonoperating item was interest expense of \$60,426 on long-term debt.

The **Sewer Fund** generated operating income of \$136,063, a net decrease from nonoperating activities of \$83,290, and a net increase in capital activity of \$149,096 for a total increase in net position of \$201,869. The primary capital activity item was state grant revenue of \$149,096 and primary nonoperating item was interest expense of \$84,466 on long-term debt.

### Change in Fund Balance/Net Position

	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>
Governmental Fund Balance:			
Fire protection	\$ 948,732	\$ 951,247	\$ (2,515)
Parks and recreation	165,433	209,939	(44,506)
Enterprise Net Position:			
Water	10,941,717	9,081,061	1,860,656
Davis-Grunsky	18,620	14,790	3,830
Sewer	6,227,379	6,025,510	201,869

# GROVELAND COMMUNITY SERVICES DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2022

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### CAPITAL ASSETS

At June 30, 2022 the District has invested \$17,483,502 in capital assets. This amount represents a net increase of \$1,649,108 from last year. The increase in capital assets was primarily a result of \$940,881 related to the annual depreciation expense offset by capital asset additions of \$2,589,989. The most significant additions to the capital assets during this fiscal year are detailed below:

#### Assets Shared by Multiple Services

- Installation of a security camera system for main District property
- Purchase of new weather station
- Purchase of Dreamworks Historian software for SCADA upgrades
- Purchase of two (2) new trucks
- Purchase of dump truck equipment trailer
- Purchase of new GIS mapping tool

#### Water Service

- Water Distribution System Improvements:
  - Replaced water main at ballfield
- Water Treatment Plants:
  - Purchase of new Hach Lab Turbidimeter
  - Rehabilitation work on Big Creek and 2G Clearwells
  - Purchase of replacement generator for 2G Treatment Plant
  - Purchase of replacement generator for Big Creek Treatment Plant
  - Purchase of replacement generator for Highland's Pump Station

#### Sewer Service

- Purchase of replacement emergency generators for lift stations 7, 8, 13, and 9.
- Construction began on the Downtown Groveland/BOF Sewer System Rehabilitation Project
- Engineering and design for Sewer Treatment Plant Improvements including headworks screen replacement, sludge drying bed improvements, recycled water irrigation system improvements
- Purchase of replacement pumps for Lift Stations 7, 5, 9.
- Completed grading and culvert replacement project on District reservoir and spray field access roads
- Painted and installed new A/C unit for sewer treatment plant blower room
- Purchase of replacement sewer treatment plant emergency generator

#### Fire

- Purchase of new extrication equipment
- Purchase of new thermal imaging camera
- Purchase of new rescue strut equipment

#### Park

- Purchased 37-acre parcel for expanded recreational opportunities
- Planning, design and engineering work for Hetch Hetchy Trail development and Mary Laveroni Park Improvements

# GROVELAND COMMUNITY SERVICES DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2022

### Total Funds Invested in Capital Assets

	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>
Land	\$ 645,368	\$ 468,436	\$ 176,932
Structures and improvements	33,117,406	33,054,427	62,979
Furniture and equipment	3,178,137	3,029,324	148,813
Vehicles	1,656,762	1,594,109	62,653
Construction in progress	5,908,925	3,770,313	2,138,612
Accumulated depreciation	<u>(27,023,096)</u>	<u>(26,082,215)</u>	<u>(940,881)</u>
Total	<u>\$ 17,483,502</u>	<u>\$ 15,834,394</u>	<u>\$ 1,649,108</u>

### LONG-TERM DEBT

At June 30, 2022, the District has \$7,205,527 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 and net OPEB liability (asset).

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, 2022, the District's proportionate share of the Plan's net pension liability was \$1,919,204, which is determined by an actuary annually. The District is evaluating refinancing methods to further reduce its CalPERS Unfunded Accrued Liability.

	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>
Bonds, net	\$ 2,449,396	\$ 2,899,179	\$ (449,783)
Net OPEB obligation		366,116	(366,116)
Compensated absences	195,768	177,597	18,171
Net pension liability	1,919,204	2,753,741	(834,537)
Other long-term debt	<u>2,641,159</u>	<u>2,957,159</u>	<u>(316,000)</u>
Total	<u>\$ 7,205,527</u>	<u>\$ 9,153,792</u>	<u>\$(1,948,265)</u>

# GROVELAND COMMUNITY SERVICES DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2022

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### 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 second 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 reserves. As of June 1, 2020, the County of Tuolumne now funds the cost of the CAL FIRE contract (Amador Contract) to include year round staffing of the seasonal Fire Station (Station B) located on Merrell Rd. The cost of staffing this station is funded by the state during the (state) declared fire seasons, and by the County during non-fire season; typically November through April annually.

It is estimated that the cost associated with the CAL FIRE Schedule A and Amador Contract will increase by approximately 5% annually, at minimum over the next two years through June 30, 2024. 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 within the next three years and earlier if any catastrophic failure occurs to the main fire engines. Elimination of the Amador Contract expense alone did not and will not balance department expense and revenue, as the cost of the Schedule A contract alone will soon exceed total revenue available. Therefore, an increase in Fire Department revenue is critical to maintain services at the current level.

In addition, GCSO 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 annual expense 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 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. District management is actively collaborating with the county on cost sharing. The County also picked up the cost of the Amador station and plans to collocate a fire engine and crew effective August 1, 2022 in the District Groveland Fire Station.
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 being evaluated including formation of community facilities districts and implementation of development impact fees for new development projects.

# GROVELAND COMMUNITY SERVICES DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2022

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3. Evaluate cost sharing agreements with Tuolumne County regarding services provided to new land development projects. District management is working with the county to assist in identifying appropriate cost and service level impact mitigation. As discussed above, the County will add a fire engine and crew staffed 24x7x365, collocated at the District fire station beginning August 1, 2022.

It is management's estimation that achieving success in all three actions listed 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 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 is actively seeking multiple grant opportunities.

**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 project funding to the State Drinking Water State Revolving Fund and to the Community Development Block Grant 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 clear well water storage tanks, which were substantially completed in the 2021/22 fiscal year. The District Water System Master Plan will be completed in late 2022, which will contain a long and short term Capital Improvement/Replacement Plan; and for which the District will establish appropriate fees and charges, and seek funding and financing. Cash generated from recent increases to customer water rates are being used to leverage grant funds, make loan and debt service payments, and generate reserve funds for capital projects.

**Sewer Services** – The District has completed planning and has begun construction of a large-scale Sewer System Replacement Project which will improve the sewer collection lines in various locations throughout the District's sewer system. This planning process 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 has been submitted. A \$5.8 million state grant and loan funding agreement was received in 2021, and construction was started in June 2022. 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. Engineering design has been completed for the project and construction will begin in 2022/23. Cash generated from recent increases to customer sewer rates are being used to leverage grant funds, make loan and debt service payments, and generate reserve funds for capital projects.

# **GROVELAND COMMUNITY SERVICES DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2022**

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### **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, 2022

	Governmental Activities	Business-type Activities	Totals
<b>ASSETS:</b>			
Cash and equivalents	\$ 1,275,779	\$ 7,914,479	\$ 9,190,258
Accounts receivable	180,409	1,077,315	1,257,724
Internal balances	(291,313)	291,313	
Net OPEB asset	1,840	68,549	70,389
Depreciable capital assets (net)	701,830	10,227,379	10,929,209
Nondepreciable capital assets	327,769	6,226,524	6,554,293
Total assets	2,196,314	25,805,559	28,001,873
<b>DEFERRED OUTFLOW OF RESOURCES:</b>			
Deferred outflow of resources related to pensions	141,794	574,265	716,059
Deferred outflow of resources related to OPEB	1,976	73,602	75,578
Deferred amount on debt refunding		81,292	81,292
Total deferred outflow of resources	143,770	729,159	872,929
<b>LIABILITIES:</b>			
Accounts payable and accrued liabilities	50,510	388,968	439,478
Interest payable		67,319	67,319
Deposits payable	200	9,332	9,532
Long-term liabilities, due within one year	13,704	964,923	978,627
Long-term liabilities, due in more than one year		4,307,696	4,307,696
Net pension liability, due in more than one year	380,039	1,539,165	1,919,204
Total liabilities	444,453	7,277,403	7,721,856
<b>DEFERRED INFLOW OF RESOURCES:</b>			
Deferred inflow of resources related to pensions	347,419	1,407,056	1,754,475
Deferred inflow of resources related to OPEB	17,783	662,543	680,326
Total deferred inflow of resources	365,202	2,069,599	2,434,801
<b>NET POSITION:</b>			
Net investment in capital assets	1,029,599	11,444,640	12,474,239
Unrestricted	500,830	5,743,076	6,243,906
Total net position	\$ 1,530,429	\$ 17,187,716	\$ 18,718,145

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

# GROVELAND COMMUNITY SERVICES DISTRICT

## STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Totals
Governmental Activities:							
Public safety	\$ 1,311,632		\$ 23,226		\$ (1,288,406)		\$ (1,288,406)
Parks and recreation	156,913	\$ 3,120			(153,793)		(153,793)
Total Governmental Activities	1,468,545	3,120	23,226		(1,442,199)		(1,442,199)
Business-type Activities:							
Water	3,196,193	3,431,684		\$ 1,602,048		\$ 1,837,539	1,837,539
Davis-Grunsky	97					(97)	(97)
Sewer	2,620,464	2,659,347		149,096		187,979	187,979
Total Business-type Activities	5,816,754	6,091,031		1,751,144		2,025,421	2,025,421
Total Primary Government	\$ 7,285,299	\$ 6,094,151	\$ 23,226	\$ 1,751,144	(1,442,199)	2,025,421	583,222
General Revenues (Expenses):							
Property taxes					1,323,130	3,880	1,327,010
Interest earnings					4,756	18,707	23,463
State Revenue					237,483		237,483
Federal Revenue					2,231	20,535	22,766
Other revenue					67,766	1,512	69,278
Loss on disposal of capital asset					(3,751)	(3,700)	(7,451)
Total general revenues					1,631,615	40,934	1,672,549
Change in net position					189,416	2,066,355	2,255,771
Net position - beginning					1,341,013	15,121,361	16,462,374
Net position - ending					\$ 1,530,429	\$ 17,187,716	\$ 18,718,145

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

# GROVELAND COMMUNITY SERVICES DISTRICT

## BALANCE SHEETS GOVERNMENTAL FUNDS JUNE 30, 2022

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	<u>Fire Protection</u>	<u>Parks and Recreation</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>			
Cash and equivalents	\$ 1,083,536	\$ 192,243	\$ 1,275,779
Accounts receivable		<u>180,409</u>	<u>180,409</u>
Total assets	<u>\$ 1,083,536</u>	<u>\$ 372,652</u>	<u>\$ 1,456,188</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 45,624	\$ 4,886	\$ 50,510
Deposits payable		200	200
Due to other funds	<u>89,180</u>	<u>202,133</u>	<u>291,313</u>
Total liabilities	<u>134,804</u>	<u>207,219</u>	<u>342,023</u>
Fund balances:			
Committed:			
Fire protection	948,732		948,732
Parks and recreation		<u>165,433</u>	<u>165,433</u>
Total fund balances	<u>948,732</u>	<u>165,433</u>	<u>1,114,165</u>
Total liabilities and fund balances	<u>\$ 1,083,536</u>	<u>\$ 372,652</u>	<u>\$ 1,456,188</u>

# GROVELAND COMMUNITY SERVICES DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS TO THE STATEMENT OF NET POSITION JUNE 30, 2022

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Total fund balance, governmental funds	\$ 1,114,165
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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.	1,029,599
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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	141,794
Deferred inflow of resources related to pensions	(347,419)
Deferred outflow of resources related to OPEB	1,976
Deferred inflow of resources related to OPEB	(17,783)

Compensated absence, 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.	<u>(391,903)</u>
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Total net position, governmental activities	<u>\$ 1,530,429</u>
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# GROVELAND COMMUNITY SERVICES DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2022

	Fire Protection	Parks and Recreation	Total Governmental Funds
<b>REVENUES:</b>			
Property taxes	\$ 1,217,280	\$ 105,850	\$ 1,323,130
Interest earnings	2,955	1,801	4,756
Charges for services		3,120	3,120
Federal revenue	2,231		2,231
State revenue	83,777	176,932	260,709
Other revenues	7,650	60,118	67,768
Total revenues	1,313,893	347,821	1,661,714
<b>EXPENDITURES:</b>			
Public safety	1,237,295		1,237,295
Parks and recreation		125,906	125,906
Capital outlay	79,113	266,421	345,534
Total expenditures	1,316,408	392,327	1,708,735
Net change in fund balance	(2,515)	(44,506)	(47,021)
Fund balances - beginning of year	951,247	209,939	1,161,186
Fund balances - end of year	\$ 948,732	\$ 165,433	\$ 1,114,165

# 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, 2022

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Net change in fund balances - total governmental funds	\$ (47,021)
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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	\$ 345,534	
Depreciation expense not reported in governmental funds	<u>(77,110)</u>	268,424

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. (3,751)

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: (117,230)

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: 90,267

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. (1,273)

Change in net position of governmental activities	<u>\$ 189,416</u>
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# GROVELAND COMMUNITY SERVICES DISTRICT

## STATEMENT OF NET POSITION PROPRIETARY FUNDS JUNE 30, 2022

	Business-type Activities Enterprise Funds			Totals
	Water Fund	Davis-Grunsky Fund	Sewer Fund	
<b>ASSETS:</b>				
Cash and equivalents	\$ 4,159,046	\$ 15,135	\$ 3,740,298	\$ 7,914,479
Due from other funds	24,275	3,485	263,553	291,313
Accounts receivable	501,287		576,028	1,077,315
Net OPEB asset	46,599		21,950	68,549
Depreciable capital assets (net)	6,240,633		3,986,746	10,227,379
Nondepreciable capital assets	4,416,538		1,809,986	6,226,524
Total assets	15,388,378	18,620	10,398,561	25,805,559
<b>DEFERRED OUTFLOW OF RESOURCES:</b>				
Deferred outflow of resources related to pensions	331,228		243,037	574,265
Deferred outflow of resources related to OPEB	50,031		23,571	73,602
Deferred amount on debt refunding	59,266		22,026	81,292
Total deferred outflow of resources	440,525		288,634	729,159
<b>LIABILITIES:</b>				
Accounts payable and accrued liabilities	153,225		235,743	388,968
Interest payable	27,449		39,870	67,319
Deposits payable	9,332			9,332
Long-term liabilities, due within one year	556,982		407,941	964,923
Long-term liabilities, due in more than one year	1,990,478		2,317,218	4,307,696
Net pension liability, due in more than one year	887,768		651,397	1,539,165
Total liabilities	3,625,234		3,652,169	7,277,403
<b>DEFERRED INFLOW OF RESOURCES:</b>				
Deferred inflow of resources related to pensions	811,569		595,487	1,407,056
Deferred inflow of resources related to OPEB	450,383		212,160	662,543
Total deferred inflow of resources	1,261,952		807,647	2,069,599
<b>NET POSITION:</b>				
Net investment in capital assets	8,267,041		3,177,599	11,444,640
Unrestricted	2,674,676	18,620	3,049,780	5,743,076
Total net position	\$ 10,941,717	\$ 18,620	\$ 6,227,379	\$ 17,187,716

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, 2022

	Business-type Activities			Totals
	Enterprise Funds			
	Water Fund	Davis-Grunsky Fund	Sewer Fund	
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 3,384,893		\$ 2,631,871	\$ 6,016,764
Other	46,791		27,476	74,267
Total operating revenues	<u>3,431,684</u>		<u>2,659,347</u>	<u>6,091,031</u>
<b>OPERATING EXPENSES:</b>				
Salaries and wages	1,007,659		928,875	1,936,534
Payroll expenses	508,329		374,496	882,825
Utilities	294,919		125,926	420,845
Supplies, equipment, and materials	223,965		110,791	334,756
Repairs and maintenance	197,474		153,194	350,668
Professional services	144,696		108,287	252,983
Licenses and permits	9,338		48,877	58,215
Insurance	81,330		55,783	137,113
Miscellaneous	34,686		16,780	51,466
Communications	11,218		5,160	16,378
Employee development	26,697		32,273	58,970
Janitorial	15,910		8,518	24,428
Rents and leases	7,414			7,414
Memberships, dues, and subscriptions	16,501		7,525	24,026
Depreciation	510,535		546,799	1,057,334
Total operating expenses	<u>3,090,671</u>		<u>2,523,284</u>	<u>5,613,955</u>
Operating income	<u>341,013</u>		<u>136,063</u>	<u>477,076</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Property taxes		\$ 3,880		3,880
Federal revenue	13,964		6,571	20,535
Interest earnings	9,437	47	9,223	18,707
Interest expense	(60,426)	(97)	(84,466)	(144,989)
Amortization	(29,315)		(5,083)	(34,398)
Other expenses	(15,781)		(7,631)	(23,412)
Loss on disposal of capital assets	(1,207)		(2,493)	(3,700)
Other income	923		589	1,512
Total nonoperating revenues (expenses)	<u>(82,405)</u>	<u>3,830</u>	<u>(83,290)</u>	<u>(161,865)</u>
<b>INCOME BEFORE CAPITAL ACTIVITY</b>	<u>258,608</u>	<u>3,830</u>	<u>52,773</u>	<u>315,211</u>
<b>CAPITAL ACTIVITY:</b>				
State grant revenue	1,602,048		149,096	1,751,144
Total capital activity	<u>1,602,048</u>		<u>149,096</u>	<u>1,751,144</u>
Change in net position	1,860,656	3,830	201,869	2,066,355
Net position - beginning	<u>9,081,061</u>	<u>14,790</u>	<u>6,025,510</u>	<u>15,121,361</u>
Net position - ending	<u>\$ 10,941,717</u>	<u>\$ 18,620</u>	<u>\$ 6,227,379</u>	<u>\$ 17,187,716</u>

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, 2022

	Business-type Activities			Totals
	Enterprise Funds			
	Water Fund	Davis-Grunsky Fund	Sewer Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers	\$ 3,373,941		\$ 2,491,467	\$ 5,865,408
Cash payments to suppliers for goods and services	(1,054,775)	\$ (3,485)	(644,042)	(1,702,302)
Cash payments to/on behalf of employees	<u>(1,426,751)</u>		<u>(1,130,486)</u>	<u>(2,557,237)</u>
Net cash provided (used) by operating activities	<u>892,415</u>	<u>(3,485)</u>	<u>716,939</u>	<u>1,605,869</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Cash received from taxes and assessments		3,880		3,880
Cash received from other nonoperating	14,886		7,160	22,046
Cash payments for other nonoperating	<u>(15,781)</u>		<u>(7,631)</u>	<u>(23,412)</u>
Net cash provided (used) by non-capital and related financing activities	<u>(895)</u>	<u>3,880</u>	<u>6,100</u>	<u>9,085</u>
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Cash received from grants	1,602,048		142,525	1,744,573
Purchase of capital assets	(1,751,980)		(693,493)	(2,445,473)
Interest paid on long-term debt	(65,733)	(97)	(89,088)	(154,918)
Principal paid on long-term debt	<u>(449,783)</u>	<u>(423)</u>	<u>(312,092)</u>	<u>(762,298)</u>
Net cash used by capital and related financing activities	<u>(665,448)</u>	<u>(520)</u>	<u>(952,148)</u>	<u>(1,618,116)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest on investments	<u>9,437</u>	<u>47</u>	<u>9,223</u>	<u>18,707</u>
Net increase (decrease) in cash and cash equivalents	235,509	(78)	(219,886)	15,545
Cash and cash equivalents - beginning of year	<u>3,923,537</u>	<u>15,213</u>	<u>3,960,184</u>	<u>7,898,934</u>
Cash and cash equivalents - end of year	<u>\$ 4,159,046</u>	<u>\$ 15,135</u>	<u>\$ 3,740,298</u>	<u>\$ 7,914,479</u>

(Continued)

# GROVELAND COMMUNITY SERVICES DISTRICT

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS YEAR ENDED JUNE 30, 2022 (Continued)

	Business-type Activities Enterprise Funds			Totals
	Water Fund	Davis-Grunsky Fund	Sewer Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Operating income	\$ 341,013		\$ 136,063	\$ 477,076
Reconciliation of operating income to net cash provided (used) by operating activities				
Depreciation expense	510,535		546,799	1,057,334
(Increase) decrease in:				
Accounts receivable and deposits	(55,668)		(167,880)	(223,548)
Due from other funds	42,732	\$ (3,485)		39,247
Deferred outflows of resources	(26,923)		(46,187)	(73,110)
Increase (decrease) in:				
Accounts payable and accrued liabilities	(42,491)		63,862	21,371
Due to other funds			(40,097)	(40,097)
Deposits payable	(2,075)			(2,075)
Compensated absences	9,234		7,664	16,898
Net pension liability	(378,189)		(239,724)	(617,913)
Net OPEB obligation	(270,755)		(127,336)	(398,091)
Deferred inflows of resources	765,002		583,775	1,348,777
Net cash provided (used) by operating activities	\$ 892,415	\$ (3,485)	\$ 716,939	\$ 1,605,869

# GROVELAND COMMUNITY SERVICES DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022

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### 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

# GROVELAND COMMUNITY SERVICES DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022

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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.

### 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

# GROVELAND COMMUNITY SERVICES DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022

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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

# GROVELAND COMMUNITY SERVICES DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022

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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, 2022, 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.

# GROVELAND COMMUNITY SERVICES DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022

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### 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, 2021
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022

### 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

# GROVELAND COMMUNITY SERVICES DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022

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. 87, *Leases* (GASB 87). The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. 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 87 as of June 30, 2022.

## 2. CASH AND EQUIVALENTS

All Cash and equivalents as of June 30, 2022, \$9,190,258, are classified in the accompanying financial statements as unrestricted.

Cash and equivalents as of June 30, 2022, consist of the following:

Cash with financial institutions	\$ 2,608,179
Cash on hand	500
Cash and equivalents with LAIF	4,604,813
Money market	<u>1,976,766</u>
Total cash and equivalents	<u>\$ 9,190,258</u>

### Local Agency Investment Fund

The District is a voluntary participant 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.

# GROVELAND COMMUNITY SERVICES DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022

### 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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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

# GROVELAND COMMUNITY SERVICES DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022

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### 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 \$4,166,344.

# GROVELAND COMMUNITY SERVICES DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022

### 3. CAPITAL ASSETS

Governmental Activities:

Capital asset activity for the year ended June 30, 2022 was as follows:

	<b>Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance</b>
	<b>July 1, 2021</b>			<b>June 30, 2022</b>
Capital assets, not being depreciated:				
Land	\$ 48,044	\$ 176,932		\$ 224,976
Construction in Progress	11,877	90,916		102,793
Total capital assets, not being depreciated	<u>59,921</u>	<u>267,848</u>		<u>327,769</u>
Capital assets, being depreciated:				
Structures and improvements	1,230,517		\$ (31,189)	1,199,328
Furnishings & Equipment	307,488	77,683	(25,103)	360,068
Vehicles	707,754		(2,506)	705,248
Total capital assets, being depreciated	2,245,759	77,683	(58,798)	2,264,644
Total accumulated depreciation	<u>(1,540,749)</u>	<u>(77,110)</u>	<u>55,045</u>	<u>(1,562,814)</u>
Total capital assets, being depreciated, net	<u>705,010</u>	<u>573</u>	<u>(3,753)</u>	<u>701,830</u>
Governmental activities capital assets, net	<u>\$ 764,931</u>	<u>\$ 268,421</u>	<u>\$ (3,753)</u>	<u>\$ 1,029,599</u>

For the year ended June 30, 2022, depreciation expense was charged to functions as follows:

Governmental activities:	
Public safety	\$ 57,980
Parks and recreation	<u>19,130</u>
Total depreciation expense	<u>\$ 77,110</u>

# GROVELAND COMMUNITY SERVICES DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022

### Business-Type Activities:

Capital asset activity for the year ended June 30, 2022 was as follows:

	<u>Balance July 1, 2021</u>	<u>Additions/ Transfers</u>	<u>Deductions/ Transfers</u>	<u>Balance June 30, 2022</u>
Capital assets, not being depreciated:				
Land	\$ 420,392			\$ 420,392
Construction in progress	3,758,436	\$ 2,086,990	\$ (39,294)	5,806,132
Total capital assets, not being depreciated	<u>4,178,828</u>	<u>2,086,990</u>	<u>(39,294)</u>	<u>6,226,524</u>
Capital assets, being depreciated:				
Structures and improvements	31,823,910	202,432	(108,264)	31,918,078
Equipment	2,721,836	127,669	(31,436)	2,818,069
Vehicles	886,355	67,676	(2,517)	951,514
Total capital assets, being depreciated	<u>35,432,101</u>	<u>397,777</u>	<u>(142,217)</u>	<u>35,867,661</u>
Total accumulated depreciation	<u>(24,541,466)</u>	<u>(1,057,334)</u>	<u>138,518</u>	<u>(25,460,282)</u>
Total capital assets, being depreciated, net	<u>10,890,635</u>	<u>(659,557)</u>	<u>(3,699)</u>	<u>10,227,379</u>
Business-type activities capital assets, net	<u>\$ 15,069,463</u>	<u>\$ 1,427,433</u>	<u>\$ (42,993)</u>	<u>\$ 16,453,903</u>

#### 4. LONG-TERM DEBT

Long-term liability activity for the governmental activities the year ended June 30, 2022 was as follows:

<u>Governmental Activities</u>	<u>Balance at June 30, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2022</u>	<u>Due within one year</u>
Compensated absences	\$ 12,431	\$ 1,273		\$ 13,704	\$ 13,704
Net OPEB obligation	36,547		\$ (36,547)		
Net pension liability	596,663		(216,624)	380,039	
Total	<u>\$ 645,668</u>	<u>\$ 1,273</u>	<u>\$ (253,171)</u>	<u>\$ 393,743</u>	<u>\$ 13,704</u>

Long-term liability activity for the business-type activities the year ended June 30, 2022 was as follows:

<u>Business-type Activities</u>	<u>Balance at June 30, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2022</u>	<u>Due within one year</u>
Davis-Grunsky Act loans	\$ 3,908		\$ (3,908)		
2019 Wastewater Installment Sale	1,450,616		(57,721)	\$ 1,392,895	\$ 59,672
2019 Wastewater Refunding	1,502,635		(254,371)	1,248,264	264,089
2021 Water Refunding	2,899,179		(449,783)	2,449,396	459,098
Net pension liability	2,157,078		(617,913)	1,539,165	
Net OPEB obligation	329,542		(329,542)		
Compensated absences	165,166	\$ 16,898		182,064	182,064
Total	<u>\$ 8,508,124</u>	<u>\$ 16,898</u>	<u>\$ (1,713,238)</u>	<u>\$ 6,811,784</u>	<u>\$ 964,923</u>

# GROVELAND COMMUNITY SERVICES DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022

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.

### Other Long-Term Debt

The District entered into a David-Grunsky Act Loan in the amount of \$102,000 with an interest rate of 2.5%, payable semiannually, principal payable annually on December 1. Final maturity is on December 1, 2021 and the principle balance was zero as of June 30, 2022.

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

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Totals</b>
2023	\$ 782,859	\$ 134,640	\$ 917,499
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
2028-2032	525,151	154,040	679,191
2033-2037	444,996	84,194	529,190
2038-2040	251,803	12,794	264,597
Total	<u>\$ 5,090,553</u>	<u>\$ 713,363</u>	<u>\$ 5,803,916</u>

## 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 PEPPA 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](http://38www.calpers.ca.gov).

# GROVELAND COMMUNITY SERVICES DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022

### 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, 2022 for the PEPRA and miscellaneous plan were 7.590% and 14.020% 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, 2021 for the year ended June 30, 2022. The total pension liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. As of June 30, 2022, the District's proportionate share of the Plan's net pension liability (NPL) was \$1,919,204.

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, 2021 measurement date was as follows:

	<u>Plan</u>
Proportion - June 30, 2021	0.101074%
Proportion - June 30, 2020	<u>0.065284%</u>
Change - increase (decrease)	<u>0.035790%</u>

# GROVELAND COMMUNITY SERVICES DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022

For the year ended June 30, 2022, the District recognized pension expense of \$983,641. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 215,218	
Net differences between projected and actual investment earnings of pension plan investments		\$ (1,675,364)
Change in proportions	23,352	(74,852)
Change in proportionate share of contributions	70,589	(4,259)
Pension contributions subsequent to measurement date	406,900	
Total	\$ 716,059	\$ (1,754,475)

The \$406,900 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, 2023. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized as pension expense as follows:

<b>Year Ended June 30</b>	
2023	\$ (289,115)
2024	(318,186)
2025	(375,031)
2026	(462,984)

### Actuarial Assumptions

For the measurement period ended June 30, 2021 (the measurement date), the TPL was determined by rolling forward the June 30, 2020 TPL, with update procedures used to roll forward the total pension liability to June 30, 2021. The June 30, 2020 TPL amounts were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table <sup>(1)</sup>	Derived using CalPERS' Membership data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

<sup>(1)</sup> The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016.

# GROVELAND COMMUNITY SERVICES DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

### Discount Rate

The discount rate used to measure the TPL was 7.15%. 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:

<u>Asset Class<sup>(1)</sup></u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 – 10<sup>(2)</sup></u>	<u>Real Return Years 11+<sup>(3, 4)</sup></u>
Public Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	<u>100.00%</u>		

(1) In the System's ACFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(2) An expected inflation of 2.00% was used for this period.

(3) An expected inflation of 2.92% was used for this period.

(4) Figures are based on previous ALM of 2017

# GROVELAND COMMUNITY SERVICES DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022

### 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 7.15%, 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 (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

	<b>Discount Rate – 1%</b>	<b>Current Discount Rate</b>	<b>Discount Rate + 1%</b>
District’s Proportionate Share of Plan’s NPL	\$ 4,583,469	\$ 1,919,204	\$ 283,306

### 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.

# GROVELAND COMMUNITY SERVICES DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022

### 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	<u>6</u>
Total	<u><u>20</u></u>

### 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 (Asset)

The District's net OPEB liability (asset) was measured as of June 30, 2021, and the total OPEB liability (asset) used to calculate the net OPEB liability (asset) was determined using the Alternative Measurement Method with a valuation date of July 1, 2021 (June 30, 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	6.00% for 2021 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).

# GROVELAND COMMUNITY SERVICES DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022

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).

### Changes in Assumptions:

In measurement period June 30, 2021, there was a change in the inflation rate from 3.00% to 2.75%.

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:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Rate of Return</u>
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	<u>100%</u>	

For the June 30, 2021 measurement date, the annual money-weighted rate of return on investments, net of investment expense, was 13.56 percent. 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.

# GROVELAND COMMUNITY SERVICES DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022

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, 2022 is based on these requirements and the following information:

<u>Measurement Date</u>	<u>Long-Term Expected Return on Plan Investments (if any)</u>	<u>Municipal Bond 20-Year High Grade Rate Index</u>	<u>Discount Rate</u>
June 30, 2021	6.00%	1.92%	6.00%

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

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

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability (TOL) (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net OPEB Liability (Asset) (a)-(b)</u>
Balance at June 30, 2021 (Measurement date June 30, 2020)	\$ 1,502,627	\$ 1,136,511	\$ 366,116
Changes recognized for the measurement period:			
Service cost	17,182		17,182
Interest on TOL	88,436		88,436
Difference between expected and actual experience	(308,722)		(308,722)
Changes in assumptions or other inputs	13,401		13,401
Contributions—employer		93,124	(93,124)
Actual investment income		154,079	(154,079)
Benefit payments	(93,124)	(93,124)	
Administrative expense		(401)	401
Net changes	(282,827)	153,678	(436,505)
Balance at June 30, 2022 (Measurement date June 30, 2021)	\$ 1,219,800	\$ 1,290,189	\$ (70,389)

# GROVELAND COMMUNITY SERVICES DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022

### 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:

	<b>Discount Rate – 1% (5.00%)</b>	<b>Current Discount Rate (6.00%)</b>	<b>Discount Rate +1% (7.00%)</b>
Net OPEB liability (asset)	\$ 87,698	\$ (70,389)	\$ (201,414)

### 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:

	<b>Health Care Trend Rate –1% (4.00%)</b>	<b>Health Care Trend Rate (5.00%)</b>	<b>Health Care Trend Rate +1% (6.00%)</b>
Net OPEB liability (asset)	\$ (208,879)	\$ (70,389)	\$ 98,573

### 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

# GROVELAND COMMUNITY SERVICES DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022

### OPEB Expense and Deferred Outflows/Inflows Related to OPEB

For the year ended June 30, 2022, the District recognized OPEB expense of (\$442,395). At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 66,644	
Change in assumptions	8,934	\$ (23,729)
Differences between expected and actual experience		(587,699)
Net difference between projected and actual return on investments		<u>(68,898)</u>
Total	<u>\$ 75,578</u>	<u>\$ (680,326)</u>

The \$66,644 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2021 measurement date will be recognized as a reduction of the net OPEB liability (asset) during the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	
2023	\$ (482,784)
2024	(153,815)
2025	(17,694)
2026	(17,099)

## 7. SUBSEQUENT EVENT

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 was then obligated to make rental payments to the Corporation. The total obligation due to the Corporation is \$433,669, \$350,000 in principal with 4.1% interest, due annually starting 7/12/2023 through 7/12/2032.

## 8. 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

# GROVELAND COMMUNITY SERVICES DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022

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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, 2021:

Total Assets	\$ 139,860,914		
Total Deferred Outflows of Resources	606,052	Total Operating Revenues	\$ 83,228,109
Total Liabilities	(73,886,665)	Total Operating Expenses	(78,306,334)
Total Deferred Inflows of Resources	<u>(237,014)</u>	Total Nonoperating income	<u>478,878</u>
Total Net Position	<u>\$ 66,343,287</u>	Change in Net Position	<u>\$ 5,400,653</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**GROVELAND COMMUNITY SERVICES DISTRICT**

**BUDGETARY COMPARISON SCHEDULE  
FIRE PROTECTION FUND  
YEAR ENDED JUNE 30, 2022**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		<b>Positive (Negative)</b>
<b>REVENUES:</b>				
Property taxes	\$ 1,130,673	\$ 1,130,673	\$ 1,217,280	\$ 86,607
Interest earnings	3,350	3,350	2,955	(395)
Grant revenue			2,231	2,231
State revenue	2,000	19,650	83,777	64,127
Other revenue			7,650	7,650
Total revenues	<u>1,136,023</u>	<u>1,153,673</u>	<u>1,313,893</u>	<u>160,220</u>
<b>EXPENDITURES:</b>				
Public safety	1,296,759	1,321,059	1,237,295	83,764
Capital outlay	<u>141,750</u>	<u>143,250</u>	<u>79,113</u>	<u>64,137</u>
Total expenditures	<u>1,438,509</u>	<u>1,464,309</u>	<u>1,316,408</u>	<u>147,901</u>
Net change in fund balance	(302,486)	(310,636)	(2,515)	308,121
Fund balances - beginning	<u>951,247</u>	<u>951,247</u>	<u>951,247</u>	
Fund balances - ending	<u>\$ 648,761</u>	<u>\$ 640,611</u>	<u>\$ 948,732</u>	<u>\$ 308,121</u>

**GROVELAND COMMUNITY SERVICES DISTRICT**

**BUDGETARY COMPARISON SCHEDULE  
PARKS AND RECREATION FUND  
YEAR ENDED JUNE 30, 2022**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		<b>Positive (Negative)</b>
<b>REVENUES:</b>				
Property taxes	\$ 98,318	\$ 98,318	\$ 105,850	\$ 7,532
Interest earnings	800	800	1,801	1,001
Charges for services	2,500	2,500	3,120	620
Grant revenue	177,952	177,952	176,932	(1,020)
Other revenue	54,000	55,000	60,118	5,118
Total revenues	<u>333,570</u>	<u>334,570</u>	<u>347,821</u>	<u>13,251</u>
<b>EXPENDITURES:</b>				
Parks and recreation	142,353	154,853	125,906	28,947
Capital outlay	<u>321,452</u>	<u>535,350</u>	<u>266,421</u>	<u>268,929</u>
Total expenditures	<u>463,805</u>	<u>690,203</u>	<u>392,327</u>	<u>297,876</u>
Net change in fund balance	(130,235)	(355,633)	(44,506)	311,127
Fund balances - beginning	<u>209,939</u>	<u>209,939</u>	<u>209,939</u>	
Fund balances - ending	<u>\$ 79,704</u>	<u>\$ (145,694)</u>	<u>\$ 165,433</u>	<u>\$ 311,127</u>

# 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\*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>TOTAL OPEB LIABILITY</b>					
Service cost	\$ 17,182	\$ 31,442	\$ 32,296	\$ 122,616	\$ 119,046
Interest	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	<u>(93,124)</u>	<u>(104,561)</u>	<u>(113,741)</u>	<u>(113,141)</u>	<u>(105,560)</u>
<b>NET CHANGE IN TOTAL OPEB LIABILITY</b>	(282,827)	14,938	(1,420,231)	170,382	164,733
<b>TOTAL OPEB LIABILITY, Beginning</b>	<u>1,502,627</u>	<u>1,487,689</u>	<u>2,907,920</u>	<u>2,737,538</u>	<u>2,572,805</u>
<b>TOTAL OPEB LIABILITY, Ending (a)</b>	<u>1,219,800</u>	<u>1,502,627</u>	<u>1,487,689</u>	<u>2,907,920</u>	<u>2,737,538</u>
<b>PLAN FIDUCIARY NET POSITION</b>					
Contributions—employer	93,124	104,561	298,741	295,909	286,010
Net investment income	154,079	67,685	59,152	28,892	15,864
Benefit payments	(93,124)	(104,561)	(113,741)	(113,141)	(105,560)
Trustee fees				(814)	
Administrative expense	<u>(401)</u>	<u>(531)</u>	<u>(179)</u>	<u>(319)</u>	<u>(218)</u>
<b>NET CHANGE IN PLAN FIDUCIARY NET POSITION</b>	153,678	67,154	243,973	210,527	196,096
<b>PLAN FIDUCIARY NET POSITION, Beginning</b>	<u>1,136,511</u>	<u>1,069,357</u>	<u>825,384</u>	<u>614,857</u>	<u>418,761</u>
<b>PLAN FIDUCIARY NET POSITION, Ending (b)</b>	<u>1,290,189</u>	<u>1,136,511</u>	<u>1,069,357</u>	<u>825,384</u>	<u>614,857</u>
<b>DISTRICT'S NET OPEB LIABILITY (ASSET), Ending (a) - (b)</b>	<u>\$ (70,389)</u>	<u>\$ 366,116</u>	<u>\$ 418,332</u>	<u>\$ 2,082,536</u>	<u>\$ 2,122,681</u>
Plan fiduciary net position as a percentage of the total OPEB liability	105.77%	75.63%	71.88%	28.38%	22.46%
Covered-employee payroll	\$ 479,466	\$ 473,494	\$ 469,796	\$ 595,041	\$ 677,904
District's net OPEB liability as a percentage of covered-employee payroll	-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, 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 five 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							
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	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	\$ 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	\$ 1,272,283	\$ 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	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	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%.

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

# GROVELAND COMMUNITY SERVICES DISTRICT

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

	Fiscal Year							
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 406,900	\$ 352,913	\$ 296,831	\$ 231,810	\$ 199,766	\$ 184,529	\$ 157,772	\$ 96,691
Contributions in relation to the contractually required contributions	<u>(406,900)</u>	<u>(352,913)</u>	<u>(296,831)</u>	<u>(231,810)</u>	<u>(199,766)</u>	<u>(184,529)</u>	<u>(157,772)</u>	<u>(96,691)</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>						
District's covered-employee payroll	\$ 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	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 eight years are shown.