

**GRIZZLY RANCH COMMUNITY
SERVICES DISTRICT**

**REPORT ON ACCOUNTING CONTROLS
AND PROCEDURES**

June 30, 2022

ROBERT W. JOHNSON
Certified Public Accountant



Robert W. Johnson
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December 7, 2022

To the Board of Directors
Grizzly Ranch Community Services District
Portola, California

In planning and performing our audit of the financial statements of the business-type activities of Grizzly Ranch Community Services District as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered Grizzly Ranch Community Services District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We have enclosed other recommendations for your consideration.

This communication is intended solely for the information and use of management and Board of Directors, and others within the District, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Robert W. Johnson, An Accountancy Corporation

Robert W. Johnson, An Accountancy Corporation
Citrus Height, California
December 7, 2022

1. Operating Results:

	June 30, 2022		June 30, 2021	
	<u>Water</u>	<u>Sewer</u>	<u>Water</u>	<u>Sewer</u>
Operating revenues	\$ 286,982	\$ 260,898	\$ 225,297	\$ 234,436
Operating expenses	<u>251,439</u>	<u>261,730</u>	<u>233,378</u>	<u>245,186</u>
Operating income (loss)	35,543	(832)	(8,081)	(10,750)
Other income and expenses	<u>17,633</u>	<u>(6,490)</u>	<u>(1,300)</u>	<u>(28,211)</u>
Net income (loss) before capital contributions	\$ <u>53,176</u>	\$ <u>(7,322)</u>	\$ <u>(9,381)</u>	\$ <u>(38,961)</u>

Observations:

Improved financial results in 2021-22 fiscal year as follows:

- 2021-22 net income \$ 45,854
- 2020-21 loss (48,342)
- Increase in net income \$ 94,196

- Net increase in cash \$ 150,813

- The District's operating revenues increased by \$88,000. The District has a new revenue stream-water usage volume and base.

- The District's operating expenses increased by 7%.

2. Investment Accounting:

Observation:

Although not material to the financial statements taken as a whole, at June 30, 2022 the District's balance sheet reported a \$912 unrealized loss on United States Treasury Bills investment held at Fidelity. Under generally accepted accounting principles (GAAP), unrealized gains and losses on securities are recorded on the income statement not the balance sheet.

Recommendation:

Consider discontinuing the financial statement reporting of unrealized investment gains and losses (until such gains and/or losses are realized.) Or continue to account for unrealized gains and losses but report them on the income statement (P&L.)

3. Connection Fee Reserve:

Observation:

The District collects \$7,014 for each new water (\$3,437) and sewer (\$3,577) connection. Connection fees collected and expenses chargeable against the fees collected, e.g., meter sets, are tracked by the District's Business Manager on an Excel spreadsheet.

Recommendation:

The Board of Directors may consider establishing an equity reserve account for (net) water and sewer connection fees collected. District's legal counsel can clarify the maximum holding period, if any, and how connection fees can be expended. Our understanding is that such fees can be expended solely for the purposes for which the charges were collected.

The District is not required to hold these fees in a separate bank account since subledger tracking (Excel spreadsheet) is maintained by the District. But Board should consider creating an equity reserve account, similar to the GL Acct. 4000-06 - \$50,000 Debt Service Reserve, for the net balance of unexpected connection fees.

