

**GROUND SQUIRREL HOLLOW
COMMUNITY SERVICES DISTRICT**

FINANCIAL STATEMENTS
June 30, 2023

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GROUND SQUIRREL HOLLOW COMMUNITY SERVICES DISTRICT
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June 30, 2023

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FINANCIAL SECTION

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Moss, Levy & Hartzheim LLP

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Ground Squirrel Hollow Community Services District
Paso Robles, California

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of Ground Squirrel Hollow Community Services District (the District) as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Ground Squirrel Hollow Community Services District (the District) as of and for the fiscal year ended June 30, 2023, and the respective changes in financial position for the fiscal 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 Ground Squirrel Hollow Community Services 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 Ground Squirrel Hollow Community Services 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.

Auditors' 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 Ground Squirrel Hollow Community Services 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 Ground Squirrel Hollow Community Services 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 management's discussion and analysis and the budgetary information 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 May 10, 2024, on our consideration of the Ground Squirrel Hollow Community Services 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 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 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.

Santa Maria, California
May 10, 2024

GROUND SQUIRREL HOLLOW COMMUNITY SERVICES DISTRICT

ANNUAL AUDIT FOR FISCAL YEAR ENDED JUNE 30, 2023 **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Management Discussion and Analysis of the Ground Squirrel Hollow Community Services District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should review the discussion and analysis in conjunction with the basic financial statements, as well as the notes to the basic financial statements, to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2022/23 are as follows:

- Total net position decreased from \$93,404 to \$73,063 during the 2022/23 fiscal year, which reflects normal variability in road maintenance spending from one year to the next, to repair damaged areas and resurface certain roads to prolong their useful life.
- Fiscal year 2022/23 was again a complete year of solid waste franchise services for the District. The District collected a 10% franchise fee from the hauler, Paso Robles Country Disposal. This franchise fee represents a supplemental source of revenue to the District to maintain and improve the District's roads, and provided \$20,463 in revenue during the fiscal year.
- The annual road tax revenue increased by \$6,228 as compared to fiscal year 2021/22, even though the general Road Maintenance Tax was not increased. This is most likely due to the variable timing of the transfer of tax revenues from the County to the District.
- District total revenue increased by \$7,183 or 2.97% as compared to fiscal year 2021/22. This is due to an increase in the solid waste franchise fee received, and variability in the timing of our tax revenues received from the County as described above.
- District management/administrative/consulting expenses increased substantially from \$35,375 to \$41,902, or 18.45% more than in fiscal year 2021/22, reflecting more normal spending after the prior year's savings in staff expenses and insurance. District expenditures on road maintenance projects was \$94,233 in fiscal year 2022/23, nearly three times the spending in fiscal year 2021/22. This is due to a larger road repair project being completed, and the timing of summer projects, which can occur either before or after the end of the fiscal year.
- The District returned unspent budget from fiscal year 2022/23 to Unrestricted Fund Balance, bringing the District's total fund balance to \$295,581 on June 30, 2023.

Financial Analysis of the District as a Whole

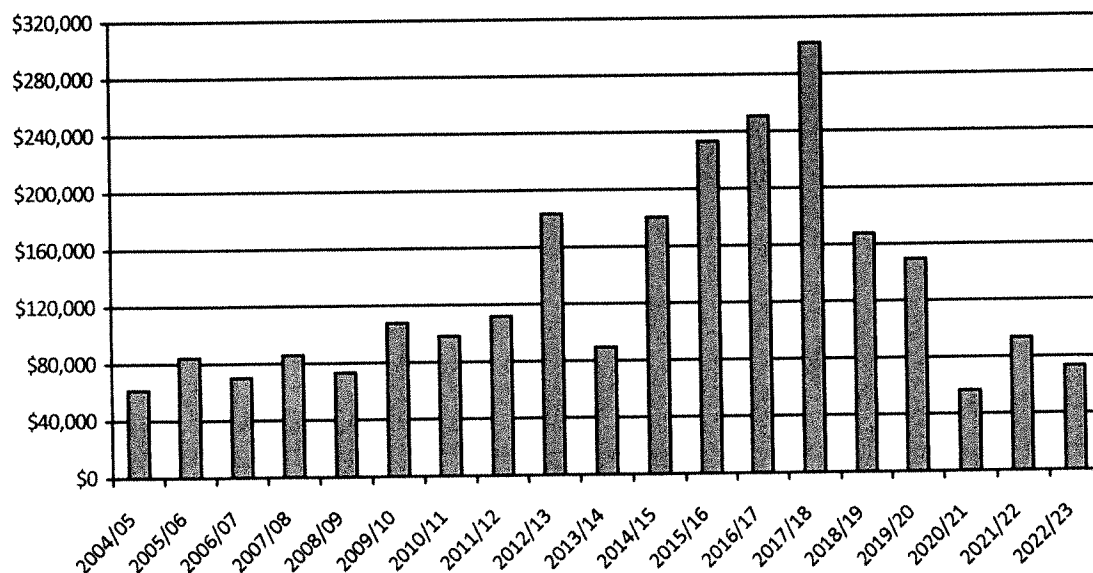
Table 1 provides a summary of the District's net position for fiscal year 2022/23 compared to fiscal year 2021/22.

Table 1 - Net Position

	FY2021/22	FY2022/23	% Change
Assets			
Cash and investments	\$305,072	\$293,655	-3.74%
Accounts receivable (net)	3,196	8,712	172.59%
Capital assets (chip seal project)	556,467	455,967	-18.06%
Total Assets	864,735	758,334	-12.30%
Liabilities			
Accounts payable	29,695	6,786	-77.15%
Interest payable	2,882	2,638	-8.47%
Note payable (current)	62,444	64,883	3.91%
Total note payable (less current amt)	676,310	610,964	-9.66%
Total Liabilities	771,331	685,271	-11.16%
Net Position			
Net investment in capital assets	(182,287)	(219,880)	-20.62%
Unrestricted	275,691	292,943	6.26%
Total net position	\$93,404	\$73,063	-21.78%

Total unrestricted net position decreased between fiscal years 2021/22 and 2022/23, by 21.78% to \$73,063. This decrease in net position was the result of the timing between road repair efforts to repair weakened and failed areas to prolong the life of the roads and the decrease in the District's net investment in capital assets.

Figure 1 - Change in Net Position



Statement of Fund Revenues, Expenditures, and Changes in Fund Balances

Road Maintenance Tax revenues were expected to remain unchanged in fiscal year 2022/23, although the data in Table 2 below shows a slight increase. This is due to variability in the timing of tax funds being transferred from the County to the District. The District also collected the Chip Seal Assessment, which is a fixed amount each year. Management expenses increased by 24.56%, reflecting more normal spending, compared to the previous year's savings in those areas. General administrative expenses increased 12.83% from fiscal year 2021/22, for the same reasons. Road repair expenditures were higher than the prior year, due to a larger road repair project being constructed in fiscal year 2022/23 and the timing of summer construction projects, which can occur either before or after the end of the fiscal year. In all, this resulted in the Fund Balance increasing by \$17,008.

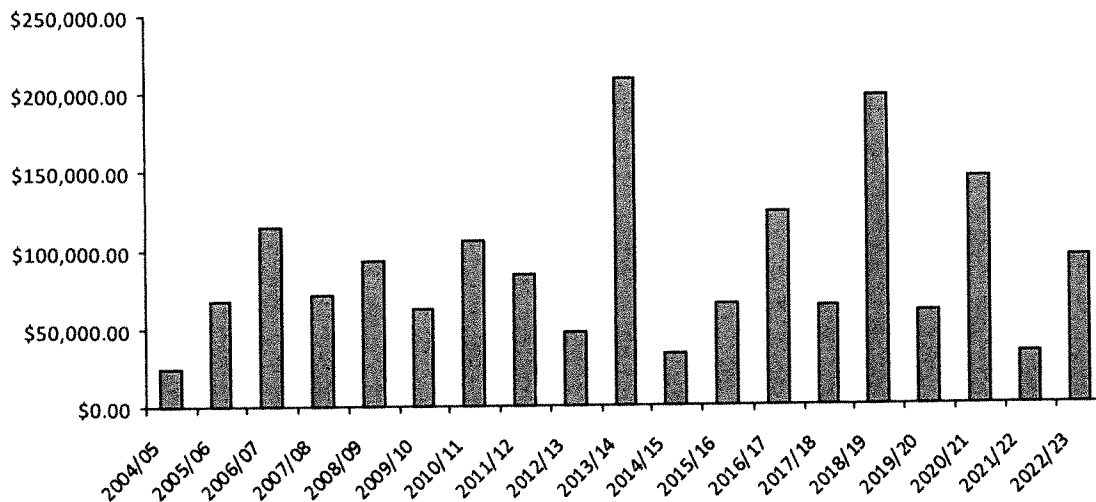
Table 2 - Revenues, Expenditures, and Change in Net Position

	FY2021/22	FY2022/23	% Change
Revenues			
Property assessments	\$215,749	\$221,977	2.89%
Franchise fees	19,418	20,463	5.38%
Permits and misc fees	6,720	6,630	-1.34%
Interest income	8	8	0.0%
Total Revenues	241,895	249,078	2.97%
Operating Expenditures			
Road repairs, maintenance, engineering	33,046	94,233	185.16%
Management, legal, accounting	16,954	21,118	24.56%
Administrative, insurance, fees, office	18,421	20,784	12.83%
Costs related to Chip Seal Project loan	96,441	95,935	-0.52%
Total Expenditures	164,862	232,070	40.77%
Net Change in Fund Balance	77,033	17,008	
Fund Balance – beginning	201,540	278,573	
Fund Balance – ending	\$278,573	\$295,581	6.11%

Roadwork Expenditures

Road repair expenditures in fiscal year 2022/23 were higher than the previous fiscal year, due to a larger road maintenance project being constructed, and the timing of summer repair work, which can occur either before or after the end of the fiscal year. This resulted in a 6.11% increase in the District's Fund Balance from \$278,573 to \$295,581 which was less than the increase in the prior fiscal year.

Figure 2 - Annual Expenditures for Road Maintenance & Improvements



Current Financial Issues and Concerns

The District is financially stable, despite increasing costs to maintain and improve the roadways and limited revenues. The District remains dependent on the annual Road Maintenance Tax – Fund 1888 to fund maintenance of the District’s roads and pay a portion of the 2018 Chip Seal Project loan payments. The District is also now dependent on the Chip Seal Assessment – Fund 1988 to repay the Chip Seal Project loan. The Chip Seal Assessment is paid by roughly half of the District property owners, and the amount of the assessment cannot escalate. The Road Maintenance Tax is assessed to all parcels and has an appropriations limit of \$175,000. In this last fiscal year, the District did not increase the Road Tax, since we have reached our appropriations limit. It is possible to revisit the appropriations limit and get it increased, but that would require a vote of the property owners in accordance with Prop 218. For now, moving forward, the District’s Road Maintenance Tax revenues will be fixed at just under \$175,000.

Solid waste franchise fees contribute to the funding available for road maintenance, although the impact of the garbage trucks is considered to be proportional to the amount of the franchise fee.

As a whole, the District’s roads are in better shape than they have ever been. Future road projects will repair potholes and settled areas, as well as periodically resurfacing the roads, to prolong their life as long as possible for as little money as possible. The District is currently on track to reaching a point where the bulk of road repair funds can be allocated to preventative chip sealing or other resurfacing, rather than substantial repair work.

Contacting the District’s Financial Management

This report is designed to provide our residents with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have any questions about this report or need additional information, please contact the General Manager, Dan Gilmore, by telephone at (805) 441-4428, or in writing at:

Ground Squirrel Hollow Community Services District
5915 Silverado Place
Paso Robles, CA 93446
(email: gm@groundsquirrelhollowcsd.org)

GROUND SQUIRREL HOLLOW COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
June 30, 2023

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 293,655
Accounts receivable	8,712
Capital assets:	
Depreciable, net	<u>455,967</u>
 Total assets	 <u>758,334</u>
LIABILITIES	
Current liabilities:	
Accounts payable	6,786
Interest payable	2,638
Note payable-current portion	64,883
Noncurrent liabilities:	
Note payable-less current portion	<u>610,964</u>
 Total liabilities	 <u>685,271</u>
NET POSITION	
Net investment in capital assets	(219,880)
Unrestricted	<u>292,943</u>
 Total net position	 <u><u>\$ 73,063</u></u>

The notes to basic financial statements are an integral part of this statement.

GROUND SQUIRREL HOLLOW COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2023

		Program Revenues			Net (Expense)
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	Revenue and Changes in Net Position
Governmental activities:					
Road maintenance	\$ 267,033	\$ 6,630	\$ -	\$ -	\$ (260,403)
Solid waste	<u>2,386</u>				<u>(2,386)</u>
Total governmental activities	<u>\$ 269,419</u>	<u>\$ 6,630</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(262,789)</u>
General Revenues:					
Taxes:					
Property assessments					221,977
Franchise fees					20,463
Use of money and property					<u>8</u>
Total general revenues					<u>242,448</u>
Change in net position					(20,341)
Net position, beginning of fiscal year					<u>93,404</u>
Net position, end of fiscal year					<u>\$ 73,063</u>

The notes to basic financial statements are an integral part of this statement.

GROUND SQUIRREL HOLLOW COMMUNITY SERVICES DISTRICT
GOVERNMENTAL FUND
BALANCE SHEET
June 30, 2023

	General Fund
ASSETS	
Cash and investments	\$ 293,655
Accounts receivable	<u>8,712</u>
Total assets	<u><u>\$ 302,367</u></u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	<u>\$ 6,786</u>
Total liabilities	<u>6,786</u>
Fund Balance:	
Unassigned	<u>295,581</u>
Total fund balance	<u>295,581</u>
Total liabilities and fund balance	<u><u>\$ 302,367</u></u>

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The notes to basic financial statements are an integral part of this statement.

GROUND SQUIRREL HOLLOW COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE GOVERNMENTAL
FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2023

Total Fund Balance - Governmental Fund	\$	295,581
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Amounts reported for governmental activities in the statement of net position are different because:

In governmental funds, only current assets are reported. In the statement of net position all assets are reported including capital assets and accumulated depreciation.

Capital assets at historical cost	1,014,300	
Accumulated depreciation	<u>(558,333)</u>	
		455,967

In governmental funds, interest on long-term liabilities is not recognized until the period it is paid. In government-wide statements, it is recognized in the period that it is incurred.	(2,638)
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In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities are reported. Loan payable relating to governmental activity consist of:	<u>(675,847)</u>
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Total Net Position - Governmental Activities	\$	<u>73,063</u>
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The notes to basic financial statements are an integral part of this statement.

GROUND SQUIRREL HOLLOW COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND
For the Fiscal Year Ended June 30, 2023

	General Fund
Revenues:	
Property assessments	\$ 221,977
Franchise fees	20,463
Permits and miscellaneous fees	6,630
Interest income	<u>8</u>
Total revenues	<u>249,078</u>
Expenditures:	
Administration	4,603
Accounting and auditing	4,380
Dues	1,836
Fees	2,923
District secretary	5,233
General manager	16,738
Insurance	4,113
Miscellaneous	1,776
Postage and office supplies	300
Road repair and maintenance	94,233
Debt service:	
Principal	62,907
Interest	<u>33,028</u>
Total expenditures	<u>232,070</u>
Net change in fund balance	17,008
Fund balance at the beginning of the year:	<u>278,573</u>
Fund balance at the end of the year:	<u><u>\$ 295,581</u></u>

The notes to basic financial statements are an integral part of this statement.

GROUND SQUIRREL HOLLOW COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2023

Net Change in Fund Balance - Governmental Fund	\$	17,008
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in the governmental fund as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$100,500) exceeds additions (\$0) to capital assets in the period.		
		(100,500)
In governmental funds, interest on long-term liabilities are recognized in the period that they become due. In the government-wide statements of activities, they are recognized in the period that they are incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:		
		244
In governmental funds, repayments of long-term liabilities are reported as expenditures. In the government-wide statements, repayments of long-term liabilities are reported as reductions in the liabilities.		
		<u>62,907</u>
Change in Net Position - Government Activities	\$	<u>(20,341)</u>

The notes to basic financial statements are an integral part of this statement.

GROUND SQUIRREL HOLLOW COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Ground Squirrel Hollow Community Services District (the District) was formed February 28, 2005. It is a political subdivision of the State of California and operates under a Board of Directors form of government. The District provides street maintenance and solid waste services for the Ground Squirrel Hollow area.

The District complies with U.S. Generally Accepted Accounting Principles and all relevant Governmental Accounting Standards Board pronouncements. These technical pronouncements establish criteria for determining the District's activities and functions that are included in the financial statements of a governmental unit. The general ledger and budgetary projections are maintained by the District.

B. Reporting Entity

The reporting entity is the Ground Squirrel Hollow Community Services District. There are no component units included in this report which meet the criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statements No. 39, No. 61, No. 80, and No. 90.

C. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

D. Basis of Presentation

Government-wide financial statements:

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

The government-wide financial 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. The District does not allocate indirect expenses to functions in the statement of activities. 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 or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

GROUND SQUIRREL HOLLOW COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation (Continued)

Fund financial statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases, (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

E. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues – exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, “available” means collectible within the current period or within 60 days after fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes and grants. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are to be used or the fiscal year when is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Expenses/expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first then unrestricted resources as they are needed.

GROUND SQUIRREL HOLLOW COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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, liabilities, fund equity, revenues, and expenditures. The District's 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 one major fund, as follows:

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources of the general government.

G. Budgets and Budgetary Accounting

In accordance with the California Government Code and other statutory provisions, on or before June 30 for each fiscal year, the District must prepare and submit a budget to the County Auditor. The annual budget is adopted for the general fund. The District budget is prepared on a modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America. Annually, the Board of Directors conducts a public hearing for the discussion of a proposed budget. At the conclusion of the hearings, the Board adopts the final fiscal budget. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriation) is maintained at the object level. Any changes in the annual budget must be within the revenues and reserves estimated by the District or the revenue estimates must be changed by a vote of the Board.

H. Cash and Investments

The District considers all highly liquid investments including money market accounts to be cash and cash equivalents. The District also maintains some cash in the San Luis Obispo County Treasurer's cash management investment pool (the pool).

State statutes and the County's investment policy authorize the County Treasurer to invest in U.S. Treasury and U.S. Government agency securities; state and/or local agency bonds, notes, warrants, or certificates of indebtedness; bankers' acceptances; commercial paper; corporate bonds and notes; negotiable certificates of deposit; repurchase agreements; reverse repurchase agreements; securities lending; bank deposits; money market mutual funds; State of California Local Agency Investment Fund (LAIF); and the investment pools managed by a Joint Powers Authority. Interest earned on pooled investments is apportioned quarterly into participating funds based upon each fund's average daily deposit balance. Any investment gains or losses are proportionately shared by all funds in the pool.

Investments held by the County Treasurer are stated at fair value. The fair value of pooled investments is determined quarterly and is based on current market prices received from the securities custodian. The fair value of participants' position in the pool is the same as the value of the pool shares. The method used to determine the value of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of such withdrawal.

The pool's disclosures related to cash and investments, including those disclosures regarding custodial credit risk, are included in the County's Annual Comprehensive Financial Report. A copy may be obtained online from the Auditor-Controller section of the County's website.

I. Receivables

Receivables are recorded in the District's Statement of Net Position and in the Governmental Fund Balance Sheet net of any allowance for uncollectible. All receivables are deemed to be collectible at June 30, 2023, and, as such, the District has no allowance for uncollectible accounts for these receivables.

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2023 are recorded as prepaid items.

GROUND SQUIRREL HOLLOW COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Capital Assets

Capital assets (including infrastructure) are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Contributed capital assets are valued at their estimated fair value at the date of the contribution. Capital assets are defined by the District as assets with an estimated useful life in excess of two years.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the governmental column in the government-wide financial statements. Depreciation is charged as an expense against operations and the capital assets, net of accumulated depreciation, is reported on the statement of net position. The estimated useful lives are as follows:

Infrastructure (Roads)	10 years
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L. Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term liabilities are reported as liabilities in the statement of net position. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

M. Property Taxes

California Constitution Article XIII A limits the combined property tax rate to one percent of a property's assessed valuation. Additional taxes may be imposed with voter approval. Assessed value is calculated at one hundred percent of a property's fair value, as defined by Article XIII A, and may be increased no more than two percent per year unless a change in ownership occurs. The State Legislature has determined the method of distributing the one percent tax levy among the various taxing jurisdictions.

Property tax revenues are recognized in the fiscal year for which taxes have been levied, and collected within sixty days of fiscal year end. Property taxes are billed and collected as follows:

	<u>Secured</u>	<u>Unsecured</u>
Valuation/Lien Date(s)	January 1	January 1
Levy Date(s)	July 1	July 1
Due Date(s)	November 1 (50%) February 1 (50%)	August 1
Delinquency Date(s)	December 10 (November) April 10 (February)	August 31

N. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

O. Fund Balances

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid expenditures) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

GROUND SQUIRREL HOLLOW COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Fund Balances (Continued)

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the District.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

P. Net Position

GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position that is net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is the portion of net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

Q. Future Accounting Pronouncements

GASB Statements listed below will be implemented in future financial statements:

Statement No. 99	"Omnibus 2022"	The provisions of this statement are effective in April 2022 except for the provisions related to leases, PPPs, SBITAs, financial guarantees and derivative instruments. The provisions related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022. The provisions related to financial guarantees and derivative instruments are effective for fiscal years beginning after June 15, 2023.
Statement No. 100	"Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62"	The provisions of this statement are effective for fiscal years beginning after June 15, 2023.
Statement No. 101	"Compensated Absences"	The provisions of this statement are effective for fiscal years beginning after December 15, 2023.

GROUND SQUIRREL HOLLOW COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 - CASH AND INVESTMENTS

On June 30, 2023, the District had the following cash on hand:

Cash held by banks	\$ 269,818
Cash and investments held by the San Luis Obispo County Treasurer	6,927
Certificate of deposit	<u>16,910</u>
Total cash	<u>\$ 293,655</u>

Cash is presented on the accompanying basic financial statements, as follows:

Cash and investments, statement of net position	<u>\$ 293,655</u>
Total cash	<u>\$ 293,655</u>

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District has investments in the San Luis Obispo County investment pool which is a Level 2 investment of \$6,927 as of June 30, 2023. The non-negotiable certificate of deposit is short term and is not categorized into any level.

Investments Authorized by the District's Investment Policy

The table on the following page identifies the investment types that are authorized for the District by 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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers' Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	None	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Fund	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	\$75,000,000
JPA Pools (other investment pools)	N/A	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

GROUND SQUIRREL HOLLOW COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 - CASH AND INVESTMENTS (Continued)

Disclosures Relating to Interest Rate Risk (Continued)

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>	<u>More than 60 Months</u>
San Luis Obispo County Investment Pool	\$ 6,927	\$ 6,927	\$ -	\$ -	\$ -
Certificate of Deposit	<u>16,910</u>	<u>16,910</u>			
Total	<u>\$ 23,837</u>	<u>\$ 23,837</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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 rating by a nationally recognized statistical rating organization. Presented below, is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Fiscal Year End</u>		
				<u>AAA</u>	<u>Aa</u>	<u>Not Rated</u>
San Luis Obispo County Investment Pool	\$ 6,927	N/A	\$ -	\$ -	\$ -	\$ 6,927
Certificate of Deposit	<u>16,910</u>	N/A				<u>16,910</u>
Total	<u>\$ 23,837</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,837</u>

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments (other than external investment pools) in any one issuer that represent 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 custodial credit risk for investments is the risk that, in the event of failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits 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 fair value of the pledged securities in the collateral pool must equal at least 100% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2023, none of the District's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts.

GROUND SQUIRREL HOLLOW COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 - CASH AND INVESTMENTS (Continued)

Custodial Credit Risk (Continued)

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as the San Luis Obispo County Investment Pool).

NOTE 3 – CAPITAL ASSETS

The capital assets of the District as of June 30, 2023 are as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Capital assets, not being depreciated:				
Land	\$ 9,300	\$ -	\$ -	\$ 9,300
Total capital assets, not being depreciated	9,300			9,300
Capital assets being depreciated:				
Infrastructure - roads	1,005,000			1,005,000
Total capital assets being depreciated	1,005,000			1,005,000
Less accumulated depreciation for:				
Infrastructure - roads	457,833	100,500		558,333
Total accumulated depreciation	457,833	100,500		558,333
Total capital assets, being depreciated, net	\$ 547,167	\$ (100,500)	\$ -	\$ 446,667
Capital assets, net	\$ 556,467	\$ (100,500)	\$ -	\$ 455,967

NOTE 4 – LOANS PAYABLE – DIRECT BORROWING

On August 24, 2017, the District obtained a direct borrowing loan agreement from the Santa Cruz County Bank in the amount of \$1,005,000 to be used for the District's road chip seal project. District revenues were pledged to guarantee the loan. In the event of a default, all unpaid principal and accrued interest would become due immediately in full. The loan is payable in quarterly payments of interest and principal over a terms of 10 years at 4.6792% interest annually. The final payment is due on August 24, 2027. The changes in the loan payable for the fiscal year ended June 30, 2023 is as follows:

	Balance at July 1, 2022	Additions	Reductions	Balance at June 30, 2023	Current Portion
Loan payable - direct borrowing	\$ 738,754	\$ -	\$ 62,907	\$ 675,847	\$ 64,883

Future minimum payment obligations for the loan at June 30, 2022 is as follows:

Fiscal Year-ended June 30,	Principal	Interest	Total
2024	\$ 64,883	\$ 30,527	\$ 95,410
2025	67,417	27,447	94,864
2026	70,050	24,247	94,297
2027	72,786	20,922	93,708
2028	400,711	4,696	405,407
	<u>\$ 675,847</u>	<u>\$ 107,839</u>	<u>\$ 783,686</u>

GROUND SQUIRREL HOLLOW COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 5 – COMMITMENTS, CONTINGENCIES, AND RELATED PARTY

Litigation

According to the District's staff and attorney, no contingent liabilities or lawsuits are pending of any financial consequence as of June 30, 2023.

State and Local Allowances, Awards, and Grants

The District occasionally receives grant monies as reimbursements for specific costs incurred in certain projects it administers that may be subject to review and audit by the reimbursing agencies. Although such audits could generate expenditure disallowances under the terms of the grants, it is believed that any required reimbursements will not be material. The District did not receive any grant funding during the fiscal year ended June 30, 2023.

Related Party

The Ground Squirrel Hollow Community Services District paid \$16,738 to consultant Dan Gilmore for General Manager services during the 2022-2023 Fiscal Year. All transactions relating to the General Manager services are reviewed and approved for payment by the Board of Directors.

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REQUIRED SUPPLEMENTARY INFORMATION SECTION

GROUND SQUIRREL HOLLOW COMMUNITY SERVICES DISTRICT
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Property assessments	\$ 216,688	\$ 215,711	\$ 221,977	\$ 6,266
Franchise fees	19,500	19,500	20,463	963
Permits and miscellaneous fees			6,630	6,630
Interest income	70	70	8	(62)
Total revenues	236,258	235,281	249,078	13,797
Expenditures:				
Administration	7,080	7,080	4,603	2,477
Accounting and auditing	6,650	6,650	4,380	2,270
Dues	1,120	1,120	1,836	(716)
Fees	620	620	2,923	(2,303)
District secretary	4,800	4,800	5,233	(433)
District engineer	3,000	3,000		3,000
General manager	13,000	13,000	16,738	(3,738)
Legal	1,000	1,000		1,000
Insurance	5,000	5,000	4,113	887
Miscellaneous	750	500	1,776	(1,276)
Postage and office supplies	850	850	300	550
Road repair and maintenance	74,888	75,726	94,233	(18,507)
Debt service:				
Principal	97,500	95,935	62,907	33,028
Interest			33,028	(33,028)
Total expenditures	216,258	215,281	232,070	(16,789)
Net change in fund balance	20,000	20,000	17,008	(2,992)
Fund balance at the beginning of the year	278,573	278,573	278,573	
Fund balance at the end of the year	<u>\$ 298,573</u>	<u>\$ 298,573</u>	<u>\$ 295,581</u>	<u>\$ (2,992)</u>

