



**TOWN OF DISCOVERY BAY
COMMUNITY SERVICES DISTRICT**

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2020



CROCE, SANGUINETTI, & VANDER VEEN

INC.

CERTIFIED PUBLIC ACCOUNTANTS

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CROCE, SANGUINETTI, & VANDER VEEN^{INC.}

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Directors
Town of Discovery Bay Community
Services District
Discovery Bay, California

Report on the Financial Statements

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 **Town of Discovery Bay Community Services District** (District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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 **Town of Discovery Bay Community Services District** as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 March 8, 2021, 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 **Town of Discovery Bay Community Services 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.

Croce, Sanguinetti, & Vander Veen, Inc.

CROCE, SANGUINETTI, & VANDER VEEN, INC.

Certified Public Accountants

Stockton, California

March 8, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis

June 30, 2020

This narrative overview and analysis of the Town of Discovery Bay Community Services District's (District) financial activities for the fiscal year ended June 30, 2020 has been provided by the management of the District. The management's discussion and analysis is intended to serve as an introduction to the District's financial statements which follow this section and is recommended to be reviewed in conjunction with them.

Financial Highlights

- The District's net position increased by \$1,854,440 over the prior year, including a \$44,530 decrease in net position of governmental activities, and a \$1,898,970 increase in net position of business-type activities. The District's net position is now \$51,122,613.
- Total assets of the District were \$72,781,433 with capital assets at \$46,399,823 net of accumulated depreciation. Current, non-current and other assets were \$26,381,610.
- Total liabilities were \$21,658,820 consisting of long-term liabilities of \$20,495,866 and other current liabilities of \$1,162,954.
- Assets of the District exceeded liabilities at the close of the most recent fiscal year by \$51,122,613 (net position). Of this amount, \$25,162,790 (unrestricted net position) may be used to meet the District's ongoing obligations, and \$25,959,823 is net investment in capital assets.
- On the current financial resources basis, the District's governmental fund revenues exceeded expenditures (including \$67,742 in capital outlay expenditures) by \$115,955. The proprietary fund revenues exceeded expenses by \$1,898,970.
- At year-end, there was \$2,376,770 in cash and investments to fund future governmental activities, and \$22,757,952 in cash and investments to fund future business-type activities.

Overview of the Financial Statements

The District's financial statements are comprised of three components: government-wide financial statements, fund financial statements and notes to financial statements including required supplementary information.

Government-wide and fund financial statements present the results of operations for different functions of the District as follows:

1. **Government-wide financial statements** provide both long-term and short-term information about the District's overall financial position in a manner similar to private-sector business.

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis

June 30, 2020

Overview of the Financial Statements (Continued)

The **Statement of Net Position** displays all of the District's assets and liabilities, with the difference between the two reported as net position. The **Statement of Activities** provides all current year revenues and expenses on an accrual basis of accounting regardless of when cash is received or paid. These two government-wide statements report the District's net position and how they have changed during the fiscal year. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or weakening.

The government-wide financial statements separately present the District's functions as follows:

- **Governmental activities** include services financed mainly through property taxes. The District's general, lighting and landscaping and community center services comprise its governmental activities.
 - **Business-type activities** include services financed, in whole or in part, by fees paid by those who directly benefit from the service. The District's business-type activities include providing water and wastewater services to the residents of the District.
2. **Fund financial statements** focus on the individual functions of the District, and report the District's operations in more detail than the government-wide statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used by state and local governments to control their resources that are legally restricted or otherwise earmarked for special purposes. The District reports its fund financial statements in the following two categories:
- **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 fund financial statements focus on 1) short-term inflows and outflows of expendable resources, and 2) the resources remaining at the end of the fiscal year that are available for future use. Because the focus of governmental funds is narrower than the government-wide financial statements, a reconciliation that explains the relationship (or differences) between them is presented following each of the governmental fund statements.
 - **Proprietary funds** are used to report the same functions presented as business-type activities in the government-wide financial statements in more detail.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis

June 30, 2020

Financial Analysis of the Government-wide Financial Statements

A review of net position over time may serve as a useful indicator of the District's financial position. Net position represents the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. As of June 30, 2020, the District's net position was \$51,122,613, an increase of \$1,854,440 from prior year. The following table outlines the District's net position by function for the current and prior fiscal years.

Town of Discovery Bay Community Services District Net Position
(rounded to the nearest dollar)
As of June 30, 2020 and 2019

	Governmental Activities		Business-type Activities		Total		Variance \$
	2020	2019	2020	2019	2020	2019	
<u>Assets</u>							
Current and other assets	\$ 2,626,512	\$ 2,341,315	\$ 23,315,145	\$ 19,441,435	\$ 25,941,657	\$ 21,782,750	\$ 4,158,907
Non-current assets	393,827	525,102	46,126	48,222	439,953	573,324	(133,371)
Capital assets, net	<u>1,877,194</u>	<u>2,029,615</u>	<u>44,522,629</u>	<u>46,868,013</u>	<u>46,399,823</u>	<u>48,897,628</u>	<u>(2,497,805)</u>
Total assets	<u>4,897,533</u>	<u>4,896,032</u>	<u>67,883,900</u>	<u>66,357,670</u>	<u>72,781,433</u>	<u>71,253,702</u>	<u>1,527,731</u>
Deferred outflows of resources	-	-	-	-	-	-	-
<u>Liabilities</u>							
Current liabilities	173,689	135,722	989,265	844,340	1,162,954	980,062	182,892
Non-current liabilities	<u>22,034</u>	<u>13,970</u>	<u>20,473,832</u>	<u>20,991,497</u>	<u>20,495,866</u>	<u>21,005,467</u>	<u>(509,601)</u>
Total liabilities	<u>195,723</u>	<u>149,692</u>	<u>21,463,097</u>	<u>21,835,837</u>	<u>21,658,820</u>	<u>21,985,529</u>	<u>(326,709)</u>
Deferred inflows of resources	-	-	-	-	-	-	-
<u>Net Position</u>							
Invested in capital assets	1,877,194	2,029,615	24,082,629	25,923,013	25,959,823	27,952,628	(1,992,805)
Unrestricted	<u>2,824,616</u>	<u>2,716,725</u>	<u>22,338,174</u>	<u>18,598,820</u>	<u>25,162,790</u>	<u>21,315,545</u>	<u>3,847,245</u>
Total net position	<u>\$ 4,701,810</u>	<u>\$ 4,746,340</u>	<u>\$ 46,420,803</u>	<u>\$ 44,521,833</u>	<u>\$ 51,122,613</u>	<u>\$ 49,268,173</u>	<u>\$ 1,854,440</u>

By far the largest portion of the District's net position (51%) reflects its net capital assets (e.g., land, buildings and improvements, equipment, etc.). The District uses its capital assets to provide the services it is responsible for and those assets don't represent future expendable resources. The second largest portion of the District's net position, approximately 49%, reflects its unrestricted net position, which may be used to meet the government's ongoing obligations.

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis

June 30, 2020

Financial Analysis of the Government-wide Financial Statements (Continued)

The following table displays the change in the District's net position for the year ended June 30, 2020.

Town of Discovery Bay Community Services District Change in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues						
Program revenues						
Charges for services	\$ 68,938	\$ 140,153	\$11,211,962	\$10,182,000	\$11,280,900	\$10,322,153
Operating grants and contributions	-	-	61,716	-	61,716	-
Capital grants and contributions	-	1,312,755	-	-	-	1,312,755
General revenues						
Property taxes	703,401	679,564	-	-	703,401	679,564
Assessments	145,637	133,680	-	-	145,637	133,680
Investment income	32,819	-	2,161	4,438	34,980	4,438
Other	237,944	252,885	207,392	174,221	445,336	427,106
Total revenues	<u>1,188,739</u>	<u>2,519,137</u>	<u>11,483,231</u>	<u>10,360,659</u>	<u>12,671,970</u>	<u>12,879,696</u>
Expenses						
General government	111,187	154,905	-	-	111,187	154,905
Community center	2,110	2,110	-	-	2,110	2,110
Lighting and landscaping						
Zone 8	939,219	1,042,642	-	-	939,219	1,042,642
Lighting and landscaping						
Zone 9	120,423	119,018	-	-	120,423	119,018
Water	-	-	3,420,693	3,325,682	3,420,693	3,325,682
Sewer	-	-	5,405,964	5,028,413	5,405,964	5,028,413
Financing authority	-	-	817,934	829,697	817,934	829,697
Total expenses	<u>1,172,939</u>	<u>1,318,675</u>	<u>9,644,591</u>	<u>9,183,792</u>	<u>10,817,530</u>	<u>10,502,467</u>
Transfers	<u>(60,330)</u>	<u>(36,810)</u>	<u>60,330</u>	<u>36,810</u>	<u>-</u>	<u>-</u>
Change in net position	(44,530)	1,163,552	1,898,970	1,213,677	1,854,440	2,377,229
Net position, beginning of year	<u>4,746,340</u>	<u>3,582,788</u>	<u>44,521,833</u>	<u>43,308,156</u>	<u>49,268,173</u>	<u>46,890,944</u>
Net position, end of year	<u>\$ 4,701,810</u>	<u>\$ 4,746,340</u>	<u>\$46,420,803</u>	<u>\$44,521,833</u>	<u>\$51,122,613</u>	<u>\$49,268,173</u>

The \$1,854,440 increase in net position is attributed to each function as follows:

Governmental Activities

- Charges for services decreased by \$71,215 due to a decrease in Community Center program fees and rental revenue.
- Capital grants and contributions decreased by \$1,312,755 as such amounts were received in the prior year from the Hofmann Land Development Company.
- Property tax revenue increased by \$23,837 due to an increase in assessed values of properties during the year related to more positive economic conditions than in the past.
- Other revenue decreased by \$14,941 due to a decrease in reimbursements.
- Expenses decreased \$145,736 (11%) due to a decrease in payroll expenses, repairs and maintenance and facility maintenance-landscaping related expenses.

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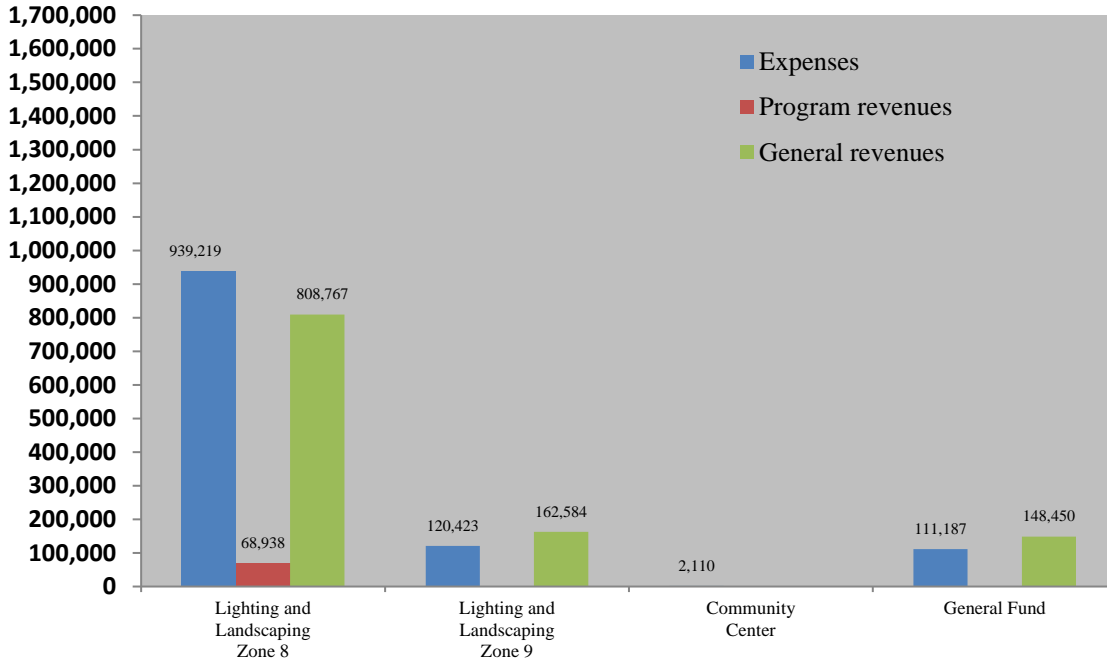
TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Management’s Discussion and Analysis

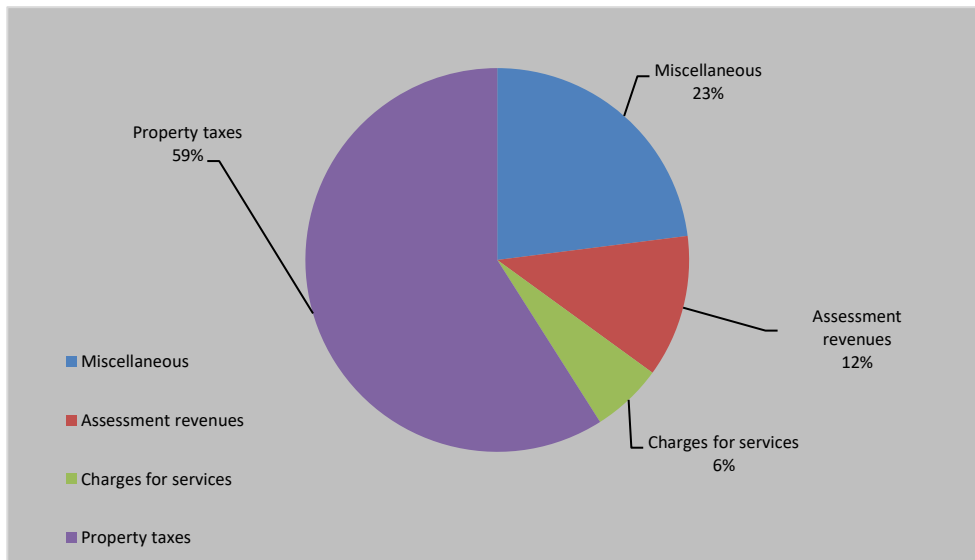
June 30, 2020

Financial Analysis of the Government-wide Financial Statements (Continued)

Expenses and Revenues - Governmental Activities



Revenues by Source - Governmental Activities



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TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis

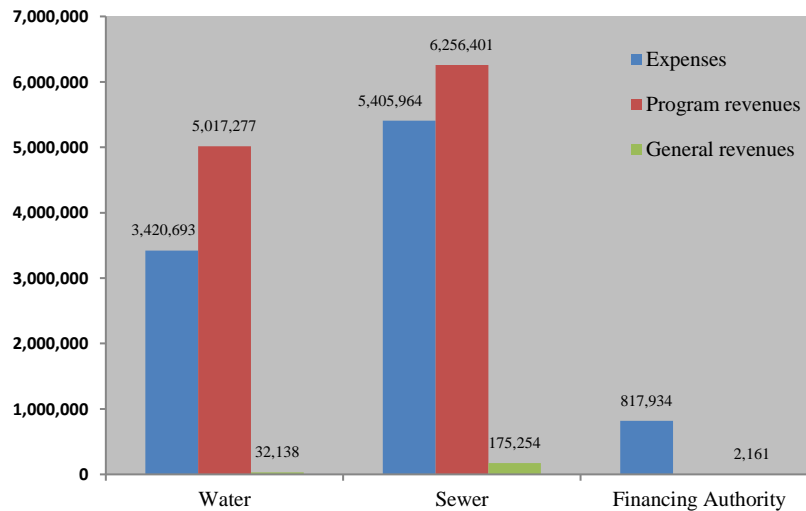
June 30, 2020

Financial Analysis of the Government-wide Financial Statements (Continued)

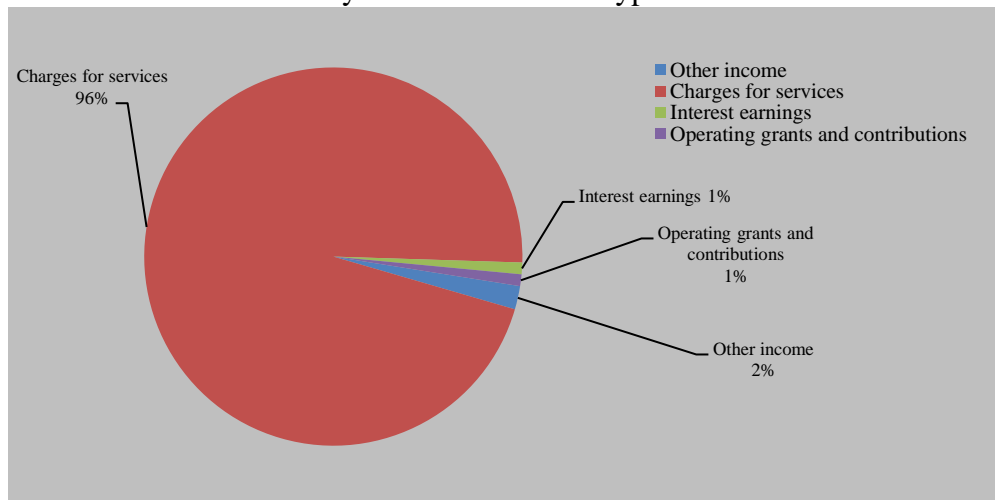
Business-type Activities

- Charges for services increased \$1,029,962 (10%) due to an increase in water and sewer rates and connection fees.
- Operating grants and contributions increased \$61,716 as the District received a water sustainability grant.
- Other revenues increased \$33,171 (19%) due to an increase in reimbursement revenue.
- Expenses increased \$460,799 (5%) primarily due to an increase in professional fees, chemicals, payroll, and insurance.

Expenses and Revenues - Business-type Activities



Revenues by Source - Business-type Activities



TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis

June 30, 2020

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's governmental funds is to provide information on the short-term inflows and outflows and balances of current expendable resources. In particular, the *unassigned fund balance* presented in the balance sheet may serve as a useful measure of the District's resources available for spending at the end of its fiscal year.

As of the end of the current fiscal year, the District's combined governmental fund revenues exceeded expenditures by \$115,955 primarily due to decreased revenues and decreased expenditures. This resulted in a \$115,955 increase in the combined ending fund balance of the District's governmental funds. The fund balance of the Lighting and Landscaping Zone 8 fund increased by \$106,674, the fund balance of the Lighting and Landscaping Zone 9 fund increased by \$54,657, there was no change to the fund balance of the community center fund, and the fund balance of the general fund decreased by \$45,376. At year-end, the combined fund balance of the governmental funds was \$2,846,650, consisting of committed and unassigned funds.

Proprietary Funds

The District's proprietary fund statements provide the same type of information, in more detail, on the business-type activities presented in the government-wide financial statements.

The net position of the proprietary funds increased by \$1,898,970 from \$44,521,833 to \$46,420,803. The net position included \$22,338,174 in unrestricted net position which has increased by \$3,739,354 or 20% from the previous year. The increase in unrestricted net position is primarily due to an increase in operating revenues.

Capital Asset and Debt Administration

Capital Assets

At the end of fiscal year 2020, the District's investment in capital assets amounted to \$25,959,823 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, vehicles, structures and improvements, and treatment and collection.

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TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis

June 30, 2020

Capital Asset and Debt Administration (Continued)

The District's total investment in capital assets before depreciation increased by \$395,658 from \$69,997,299 to \$70,392,957. Significant additions to capital assets included:

- Water Treatment Plant - Well #4 Motor Replacement (\$114,115)
- Willow Lake Underwater Pipeline Crossing Replacement (\$22,855)
- Wastewater Distribution Diffuser Improvements (\$56,027)
- Wastewater Treatment Operations and Maintenance Manual (\$30,651)
- Wastewater Denitrification Project (\$26,670)
- Wastewater Lift Station "R" Control Panel Updates (\$20,787)
- L&L #8 Dog Park Improvements (\$31,676)

The following table displays the changes in District's capital assets, net of accumulated depreciation.

Town of Discovery Bay Community Services District's Capital Assets
(net of depreciation, in rounded dollars)

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 415,930	\$ 415,930	\$ 307,000	\$ 307,000	\$ 722,930	\$ 722,930
Buildings and improvements	3,098,724	3,036,441	710,404	700,440	3,809,128	3,736,881
Treatment and collection	-	-	54,384,886	53,992,519	54,384,886	53,992,519
Structure and improvements	-	-	9,141,916	9,141,916	9,141,916	9,141,916
Equipment	338,501	338,501	895,788	883,333	1,234,289	1,221,834
Office furniture and equipment	20,766	15,307	138,044	105,583	158,810	120,890
Vehicles	80,133	80,133	439,910	412,999	520,043	493,132
Construction in progress	92,859	131,109	328,096	436,088	420,955	567,197
Total	4,046,913	4,017,421	66,346,044	65,979,878	70,392,957	69,997,299
Less accumulated depreciation	(2,169,719)	(1,987,806)	(21,823,415)	(19,111,865)	(23,993,134)	(21,099,671)
Net capital assets	\$ 1,877,194	\$ 2,029,615	\$44,522,629	\$46,868,013	\$46,399,823	\$ 48,897,628

Additional information on the District's capital assets can be found in Note F of the "Notes to Financial Statements" section.

Debt Administration

At June 30, 2020, the District had \$20,440,000 in debt outstanding as compared to \$20,945,000 for the prior year. During fiscal year 2014, the District received Series 2012 Enterprise Revenue Bonds to finance the acquisition and construction of certain improvements to the water and wastewater systems. During fiscal year 2018, the District received series 2017 Enterprise Revenue Bonds to finance the costs of certain improvements to the water and wastewater enterprise systems. Additional information regarding the District's debt can be found in Note G of this report.

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis

June 30, 2020

Economic Factors and Next Year's Budgets and Rates

The District has experienced moderate growth which is expected to continue over the next 3-5 years. This growth will further create demand for water and wastewater services and additional capital facilities. These demands have been addressed in the District's capital improvement program. The District is currently in the process of reviewing rates for water and wastewater services to evaluate the District's financial needs and rate structure.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's financial accountability and compliance with applicable laws for all those with an interest in the District's finances. Questions concerning any of the information provided in this report, or requests for additional financial information can be addressed to Town of Discovery Bay Community Services District, Attention: General Manager, 1800 Willow Lake Road, Discovery Bay, California 94505.

BASIC FINANCIAL STATEMENTS

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Statement of Net Position

June 30, 2020

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Assets			
Current assets:			
Cash and investments	\$ 2,376,770	\$ 22,757,952	\$ 25,134,722
Accounts receivable, net of allowance for doubtful accounts	108,572	540,800	649,372
Advances on taxes	5,315	832	6,147
Note receivable	131,276	-	131,276
Prepaid expenses	-	15,561	15,561
Inventory	4,579	-	4,579
Non-current assets:			
Note receivable	393,827	-	393,827
Debt issuance costs-prepaid insurance, net	-	46,126	46,126
Capital assets, net of accumulated depreciation	<u>1,877,194</u>	<u>44,522,629</u>	<u>46,399,823</u>
Total assets	<u>4,897,533</u>	<u>67,883,900</u>	<u>72,781,433</u>
Deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities			
Current liabilities:			
Accounts payable	173,689	399,151	572,840
Interest payable	-	70,011	70,011
Other accrued liabilities	-	103	103
Bonds payable-current	-	520,000	520,000
Non-current liabilities:			
Compensated absences	22,034	72,623	94,657
Bonds payable	-	19,920,000	19,920,000
Unamortized bond premium	<u>-</u>	<u>481,209</u>	<u>481,209</u>
Total liabilities	<u>195,723</u>	<u>21,463,097</u>	<u>21,658,820</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Net Position			
Net investment in capital assets	1,877,194	24,082,629	25,959,823
Unrestricted	<u>2,824,616</u>	<u>22,338,174</u>	<u>25,162,790</u>
Total net position	<u>\$ 4,701,810</u>	<u>\$ 46,420,803</u>	<u>\$ 51,122,613</u>

The accompanying notes are an integral part of this financial statement.

STATEMENT OF ACTIVITIES

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Statement of Activities

For the year ended June 30, 2020

		Program revenues		
	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Governmental activities				
General government	\$ 111,187	\$ -	\$ -	\$ -
Community center	2,110	-	-	-
Lighting and landscaping Zone 8	939,219	68,938	-	-
Lighting and landscaping Zone 9	<u>120,423</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>1,172,939</u>	<u>68,938</u>	<u>-</u>	<u>-</u>
Business-type activities				
Water	3,420,693	4,955,561	61,716	-
Sewer	5,405,964	6,256,401	-	-
Financing Authority	<u>817,934</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>9,644,591</u>	<u>11,211,962</u>	<u>61,716</u>	<u>-</u>
Total government	<u>\$ 10,817,530</u>	<u>\$ 11,280,900</u>	<u>\$ 61,716</u>	<u>\$ -</u>

General revenues

Taxes

Property taxes

Homeowners property tax relief

Other income

Assessments

Investment income

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning of year

Net position, end of year

<u>Net (expense) revenue and changes in net position</u>		
<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
\$ (111,187)	\$ -	\$ (111,187)
(2,110)	-	(2,110)
(870,281)	-	(870,281)
<u>(120,423)</u>	<u>-</u>	<u>(120,423)</u>
<u>(1,104,001)</u>	<u>-</u>	<u>(1,104,001)</u>
-	1,596,584	1,596,584
-	850,437	850,437
<u>-</u>	<u>(817,934)</u>	<u>(817,934)</u>
<u>-</u>	<u>1,629,087</u>	<u>1,629,087</u>
<u>(1,104,001)</u>	<u>1,629,087</u>	<u>525,086</u>
699,330	-	699,330
4,071	-	4,071
237,944	207,392	445,336
145,637	-	145,637
32,819	2,161	34,980
<u>(60,330)</u>	<u>60,330</u>	<u>-</u>
<u>1,059,471</u>	<u>269,883</u>	<u>1,329,354</u>
(44,530)	1,898,970	1,854,440
<u>4,746,340</u>	<u>44,521,833</u>	<u>49,268,173</u>
<u>\$ 4,701,810</u>	<u>\$ 46,420,803</u>	<u>\$ 51,122,613</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

**Balance Sheet
Governmental Funds**

June 30, 2020

		Special revenue funds			
	General fund	Community center	Lighting and landscaping Zone 8	Lighting and landscaping Zone 9	Total governmental funds
Assets					
Cash and investments	\$ 131,864	\$ 338,756	\$ 1,516,352	\$ 389,798	\$ 2,376,770
Note receivable	-	-	525,103	-	525,103
Accounts receivable	75,572	-	33,000	-	108,572
Advances on taxes	-	-	5,315	-	5,315
Inventory	-	4,579	-	-	4,579
Total assets	\$ 207,436	\$ 343,335	\$ 2,079,770	\$ 389,798	\$ 3,020,339
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 590	\$ -	\$ 136,635	\$ 36,464	\$ 173,689
Total liabilities	590	-	136,635	36,464	173,689
Fund balances					
Committed to:					
Community center	-	343,335	-	-	343,335
Lighting and landscaping Zone 8	-	-	1,943,135	-	1,943,135
Lighting and landscaping Zone 9	-	-	-	353,334	353,334
Unassigned	206,846	-	-	-	206,846
Total fund balances	206,846	343,335	1,943,135	353,334	2,846,650
Total liabilities and fund balances	\$ 207,436	\$ 343,335	\$ 2,079,770	\$ 389,798	\$ 3,020,339
Reconciliation to statement of net position					
Total governmental fund balances					\$ 2,846,650
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					1,877,194
Long-term liabilities are not due and payable in the current period, and, therefore, are not reported in the balance sheet of governmental funds					(22,034)
Net position of governmental activities					\$ 4,701,810

The accompanying notes are an integral part of this financial statement.

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds**

For the year ended June 30, 2020

		Special revenue funds			
	General fund	Community center	Lighting and landscaping Zone 8	Lighting and landscaping Zone 9	Total governmental funds
Revenues					
Property taxes	\$ -	\$ -	\$ 699,330	\$ -	\$ 699,330
Reimbursements	148,450	-	67,787	16,947	233,184
Assessment income	-	-	-	145,637	145,637
Other	-	-	73,698	-	73,698
Interest income	-	-	32,819	-	32,819
Homeowners property tax relief	-	-	4,071	-	4,071
Total revenues	148,450	-	877,705	162,584	1,188,739
Expenditures					
Payroll expenses	92,119	-	339,488	35,553	467,160
Utilities	-	-	166,339	25,489	191,828
Repairs and maintenance	18,984	-	94,483	17,902	131,369
Other	85	-	104,949	18,618	123,652
Professional fees	-	-	16,075	3,800	19,875
Insurance	-	-	7,948	2,880	10,828
Capital outlay	-	-	66,177	1,565	67,742
Total expenditures	111,188	-	795,459	105,807	1,012,454
Excess of revenues over expenditures	37,262	-	82,246	56,777	176,285
Other financing sources (uses)					
Operating transfers in	128,451	-	450,226	58,574	637,251
Operating transfers out	(211,089)	-	(425,798)	(60,694)	(697,581)
Total other financing sources (uses)	(82,638)	-	24,428	(2,120)	(60,330)
Net change in fund balances	(45,376)	-	106,674	54,657	115,955
Fund balances, beginning of year	252,222	343,335	1,836,461	298,677	2,730,695
Fund balances, end of year	\$ 206,846	\$ 343,335	\$ 1,943,135	\$ 353,334	\$ 2,846,650

The accompanying notes are an integral part of this financial statement.

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities**

For the year ended June 30, 2020

Net change in fund balances - governmental funds	\$ 115,955
Amounts reported for governmental activities in the statement of activities are different because of the following:	
Depreciation expense related to capital assets is recognized in the statement of activities, but is not reported in the funds.	(181,913)
Governmental funds report capital outlays as expenditures, while in the governmental statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.	67,742
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.	(38,249)
Changes in compensated absences are recorded as an expense in the statement of activities, but are not reported in the funds.	<u>(8,065)</u>
Change in net position of governmental activities	<u>\$ (44,530)</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

**Statement of Net Position
Proprietary Funds**

June 30, 2020

	<u>Water fund</u>	<u>Sewer fund</u>	<u>Financing Authority fund</u>	<u>Total</u>
<u>Assets and Deferred Outflows of Resources</u>				
Current assets				
Cash and investments	\$ 7,524,513	\$ 15,233,418	\$ 21	\$ 22,757,952
Accounts receivable, net	436,099	104,701	-	540,800
Interest receivable	-	-	70,011	70,011
Prepaid expenses	6,224	9,337	-	15,561
Advances on taxes	<u>333</u>	<u>499</u>	<u>-</u>	<u>832</u>
Total current assets	<u>7,967,169</u>	<u>15,347,955</u>	<u>70,032</u>	<u>23,385,156</u>
Non-current assets				
Debt issuance cost - prepaid insurance	-	-	46,126	46,126
Debt service - installment receivable	-	-	20,440,000	20,440,000
Capital assets, net of accumulated depreciation	<u>9,618,824</u>	<u>34,903,805</u>	<u>-</u>	<u>44,522,629</u>
Total non-current assets	<u>9,618,824</u>	<u>34,903,805</u>	<u>20,486,126</u>	<u>65,008,755</u>
Deferred outflows of resources				
Total assets and deferred outflows of resources	<u>\$17,585,993</u>	<u>\$ 50,251,760</u>	<u>\$ 20,556,158</u>	<u>\$ 88,393,911</u>
<u>Liabilities, Deferred Inflows of Resources and Net Position</u>				
Current liabilities				
Accounts payable	\$ 150,033	\$ 249,118	\$ -	\$ 399,151
Interest payable	7,701	62,310	70,011	140,022
Bonds payable - current	<u>-</u>	<u>-</u>	<u>520,000</u>	<u>520,000</u>
Total current liabilities	<u>157,734</u>	<u>311,428</u>	<u>590,011</u>	<u>1,059,173</u>
Non-current liabilities				
Other accrued liabilities	103	-	-	103
Debt service - installment payable	2,248,400	18,191,600	-	20,440,000
Compensated absences	30,443	42,180	-	72,623
Bonds payable	-	-	19,920,000	19,920,000
Unamortized bond premium	<u>-</u>	<u>-</u>	<u>481,209</u>	<u>481,209</u>
Total non-current liabilities	<u>2,278,946</u>	<u>18,233,780</u>	<u>20,401,209</u>	<u>40,913,935</u>
Deferred inflows of resources				
Total liabilities, deferred inflows of resources and net position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position				
Net investment in capital assets	7,370,424	16,712,205	-	24,082,629
Unrestricted				
Board designated	1,200,400	1,800,600	-	3,001,000
Undesignated	<u>6,578,489</u>	<u>13,193,747</u>	<u>(435,062)</u>	<u>19,337,174</u>
Total net position	<u>15,149,313</u>	<u>31,706,552</u>	<u>(435,062)</u>	<u>46,420,803</u>
Total liabilities, deferred inflows of resources and net position	<u>\$17,585,993</u>	<u>\$ 50,251,760</u>	<u>\$ 20,556,158</u>	<u>\$ 88,393,911</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

**Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds**

For the year ended June 30, 2020

	Water <u>fund</u>	Sewer <u>fund</u>	Financing Authority <u>fund</u>	<u>Total</u>
Operating revenues				
Charges for services	\$ 4,754,321	\$ 5,991,642	\$ -	\$ 10,745,963
Connection fees	201,240	264,759	-	465,999
Other	32,138	175,254	-	207,392
Grants	<u>61,716</u>	<u>-</u>	<u>-</u>	<u>61,716</u>
Total operating revenues	<u>5,049,415</u>	<u>6,431,655</u>	<u>-</u>	<u>11,481,070</u>
Operating expenses				
Depreciation	669,172	2,042,378	-	2,711,550
Contract services	666,143	999,214	-	1,665,357
Utilities	506,996	496,443	-	1,003,439
Payroll expenses	428,150	520,000	-	948,150
Repairs and maintenance	493,755	286,561	-	780,316
Professional fees	243,942	532,019	-	775,961
Insurance	150,995	226,493	2,097	379,585
Permits and fees	33,329	94,443	-	127,772
Chemicals	27,353	50,633	-	77,986
Supplies	21,011	54,120	-	75,131
Miscellaneous	30,968	27,774	-	58,742
Telephone and communications	14,285	27,393	-	41,678
Directors' expenses	13,871	20,826	-	34,697
Contract mailings	33,455	-	-	33,455
Rent	13,200	19,800	-	33,000
Bank fees and merchant charges	23,837	118	-	23,955
Memberships	7,982	6,352	-	14,334
Public communication	5,680	-	-	5,680
Staff training	<u>525</u>	<u>375</u>	<u>-</u>	<u>900</u>
Total operating expenses	<u>3,384,649</u>	<u>5,404,942</u>	<u>2,097</u>	<u>8,791,688</u>
Operating income (loss)	<u>1,664,766</u>	<u>1,026,713</u>	<u>(2,097)</u>	<u>2,689,382</u>
Nonoperating revenues (expenses)				
Investment income	-	-	1,011	1,011
Bad debt expense	(35,916)	-	-	(35,916)
Interest expense	<u>-</u>	<u>-</u>	<u>(815,837)</u>	<u>(815,837)</u>
Total nonoperating revenues (expenses)	<u>(35,916)</u>	<u>-</u>	<u>(814,826)</u>	<u>(850,742)</u>
Operating transfers in (out)	<u>(238,886)</u>	<u>(368,076)</u>	<u>667,292</u>	<u>60,330</u>
Change in net position	1,389,964	658,637	(149,631)	1,898,970
Net position, beginning of year	<u>13,759,349</u>	<u>31,047,915</u>	<u>(285,431)</u>	<u>44,521,833</u>
Net position, end of year	<u>\$ 15,149,313</u>	<u>\$ 31,706,552</u>	<u>\$ (435,062)</u>	<u>\$ 46,420,803</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Statement of Cash Flows Proprietary Funds

For the year ended June 30, 2020

	<u>Water</u> <u>fund</u>	<u>Sewer</u> <u>fund</u>	<u>Financing</u> <u>Authority</u> <u>fund</u>	<u>Total</u>
Cash flows from operating activities				
Receipts from customers	\$ 5,007,658	\$ 6,338,929	\$ -	\$11,346,587
Payments to vendors and suppliers	(2,183,009)	(2,591,565)	-	(4,774,574)
Payments to employees and directors	(434,459)	(531,077)	-	(965,536)
Net cash provided by operating activities	<u>2,390,190</u>	<u>3,216,287</u>	<u>-</u>	<u>5,606,477</u>
Cash flows from non-capital financing activities				
Principal payments on bonds payable	-	-	(505,000)	(505,000)
Interest payments on bonds payable	-	-	(816,987)	(816,987)
Premium on bonds	-	-	(30,044)	(30,044)
Transfers in (out)	(294,436)	(817,526)	1,172,292	60,330
Net cash used in non-capital financing activities	<u>(294,436)</u>	<u>(817,526)</u>	<u>(179,739)</u>	<u>(1,291,701)</u>
Cash flows from capital and related financing activities				
Acquisition of capital assets	(175,435)	(190,731)	-	(366,166)
Net cash used in capital and related financing activities	<u>(175,435)</u>	<u>(190,731)</u>	<u>-</u>	<u>(366,166)</u>
Cash flows from investing activities				
Interest income	-	-	2,160	2,160
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>2,160</u>	<u>2,160</u>
Net increase (decrease) in cash and investments	1,920,319	2,208,030	(177,579)	3,950,770
Cash and investments, beginning of year	<u>5,604,194</u>	<u>13,025,388</u>	<u>177,600</u>	<u>18,807,182</u>
Cash and investments, end of year	<u>\$ 7,524,513</u>	<u>\$15,233,418</u>	<u>\$ 21</u>	<u>\$22,757,952</u>
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ 1,664,766	\$ 1,026,713	\$ (2,097)	\$ 2,689,382
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	669,172	2,042,378	-	2,711,550
Other	(127)	(1,023)	-	(1,150)
Change in assets and liabilities				
Accounts receivable	(41,757)	(92,726)	-	(134,483)
Prepaid expenses	64,218	111,409	-	175,627
Debt issuance costs - prepaid insurance	-	-	2,097	2,097
Accounts payable	27,693	119,787	-	147,480
Accrued payroll	(6,303)	(8,765)	-	(15,068)
Other accrued liabilities	(1,337)	-	-	(1,337)
Compensated absences	13,865	18,514	-	32,379
Net cash provided by operating activities	<u>\$ 2,390,190</u>	<u>\$ 3,216,287</u>	<u>\$ -</u>	<u>\$ 5,606,477</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

June 30, 2020

Note A - Summary of Significant Accounting Policies

This summary of significant accounting policies of the Town of Discovery Bay Community Services District (the District) is presented to assist in understanding the District's financial statements.

Description of the reporting entity

The Town of Discovery Bay Community Services District, formerly known as Discovery Bay Community Services District was formed by the residents of Discovery Bay under the authority of the Cortese-Knox Act (Gov. C. Sec. 56000). This newly formed special district was formed as a result of a petition of residents to provide services to the residents of Discovery Bay. Effective July 1, 1998, the District assumed the responsibilities, funding, and assets previously held by the dissolved Sanitation District #19. During November 1998, the residents of Discovery Bay voted to activate the latent powers of the District to include recreation; specifically, to acquire, fund, and operate a Community Center.

Effective August 13, 2003, the Local Agency Formation Commission (LAFCO) of Contra Costa County dissolved County Service Area M-8 and annexed the territory to the Town of Discovery Bay Community Services District. The District is responsible for maintaining the lighting, landscaping, and parks within Service Area M-8 of the Town of Discovery Bay.

The Town of Discovery Bay Community Services District formed an assessment district known as Ravenswood Improvement District - Discovery Bay Lighting and landscaping Zone 9 for the purpose of providing for the operation and maintenance of landscaping, parks and open space in the subdivision known as Ravenswood.

The purpose of the Town of Discovery Bay Community Services District, a multipurpose independent district, is to represent the residents of Discovery Bay in any matters covered under the California Government Code relating to a Community Services District. In addition to the purposes listed in the Government Code, the District has been ordered by LAFCO and the Board of Supervisors to perform an advisory role for the residents of Discovery Bay. This role includes, but is not limited to, advising the County in matters of land use planning, zoning, compliance, roads and streets, lighting, landscaping, parks and public safety services. The District also provides water and sewer services to the Town of Discovery Bay.

As required by accounting principles generally accepted in the United States of America and the Governmental Accounting Standards Board, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government.

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

June 30, 2020

Note A - Summary of Significant Accounting Policies (Continued)

The District's financial reporting entity is composed of the following:

Primary Government:	Town of Discovery Bay Community Services District
Blended Component Unit:	Discovery Bay Public Financing Authority

In determining the financial reporting entity, the District complies with the provisions of Government Accounting Standards Board (GASB) Statements No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units - an amendment of GASB Statement No. 14*.

Blended Component Units

The Town of Discovery Bay Community Services District (the District) and the Byron Bethany Irrigation District entered into a Joint Exercise of Powers Agreement dated July 1, 2012, forming the Discovery Bay Public Financing Authority (the Authority). The Authority is authorized to borrow money for the purpose of assisting the District in financing various public capital improvements and facilities. The Authority issued revenue bonds in order to fund such expenditures. The Authority is controlled by the District and has the same governing body as the District, which also performs all accounting and administrative functions for the Authority. The financial activities of the Authority have been included (termed "blended") in these financial statements in the business-type activities. The Authority does not issue separate financial statements.

Government-wide financial statements

The Statement of Net Position and Statement of Activities display information about the primary government, the District and its blended component unit. These statements include the financial activities of the overall District government, except for fiduciary activities.

Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

June 30, 2020

Note A - Summary of Significant Accounting Policies (Continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program, and (c) fees, grants, and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund financial statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. The District presently has no fiduciary funds. An emphasis is placed on major funds within the governmental and enterprise categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

The General Fund is the primary operating fund of the District and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the District. The reporting entity includes the following special revenue funds, all of which are reported as major funds:

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

June 30, 2020

Note A - Summary of Significant Accounting Policies (Continued)

<u>Fund</u>	<u>Brief description</u>
Community Center	Accounts for revenues and expenditures of acquiring, funding, and operating a community center.
Lighting and landscaping Zone 8	Accounts for revenues and expenditures related to maintenance of street lighting and landscaping facilities and services; local parks and recreation facilities and services; parkway facilities and services; and open space facilities and services Zone 8.
Lighting and landscaping Zone 9	Accounts for revenues and expenditures related to operation and maintenance of landscaping, parks and open space in the subdivision known as Ravenswood.

Proprietary Funds

Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise funds, all of which are reported as major funds:

<u>Fund</u>	<u>Brief description</u>
Water Fund	Accounts for the activities of providing water services to the residents of the District. All activities necessary to provide such services are accounted for in this fund, including administration, operations, capital improvements, maintenance, financing and related debt service, and billing and collection.
Sewer Fund	Accounts for the activities associated with operating and maintaining the Districts collection and treatment of wastewater. All activities necessary to provide such services are accounted for in this fund, including administration, operations, capital improvements, maintenance, financing and related debt service, and billing and collection.
Financing Authority Fund	Accounts for facilitating the financing of public capital improvements and facilities for the District's water and wastewater system. All activities necessary to provide such services are accounted for in this fund, including administration, operations, capital improvements, maintenance, financing and related debt, and billing and collection.

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

June 30, 2020

Note A - Summary of Significant Accounting Policies (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating 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. The District's operating revenues include all revenues derived from water and sewage services. The enterprise funds also recognize as operating revenue, the portion of tap fees, connection fees and impact fees intended to recover the cost of connecting new customers to the system. Operating expenses include all costs related to water and sewage services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses, except for capital contributions, which represent capital contributions collected for the acquisition or construction of capital assets.

As allowed by Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the District's proprietary funds follow all GASB pronouncements currently in effect as well as Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict with GASB pronouncements.

Measurement focus

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

June 30, 2020

Note A - Summary of Significant Accounting Policies (Continued)

Basis of accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

All proprietary funds utilize the *accrual basis of accounting*. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Cash and investments

For the purpose of financial reporting “cash and cash investments” includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

Accounts receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The District provides for losses on accounts receivable using the allowance method. The allowance is based on historical experience and management’s evaluation of outstanding accounts receivable.

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

June 30, 2020

Note A - Summary of Significant Accounting Policies (Continued)

Debt service installment receivable

The District and the Authority have installment sale agreements whereby the District is obligated to pay to the Authority installment payments equal to the debt service requirements of the Authority's long-term debt. The debt service installment receivable represents the amount due from the District to meet the Authority's debt service requirements, which includes principal and accrued interest.

Inventory

Inventory held in the special revenue fund is carried at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital assets

Capital assets are reported in the applicable governmental or business-type activities columns of the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost. The District's policy is to capitalize all assets with costs exceeding certain minimum thresholds and with useful lives exceeding two years.

Depreciation has been provided on capital assets and is charged as an expense against operations each year. The total amount of depreciation taken over the years is reported on the statement of net position as a reduction in the book value of capital assets.

Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The District has assigned the useful lives listed below to capital assets.

Buildings and improvements	7-40 years
Equipment	5-25 years
Structures and improvements	10-50 years
Treatment and collection	5-40 years
Vehicles	5 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

June 30, 2020

Note A - Summary of Significant Accounting Policies (Continued)

Long-lived assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

Compensated absences

Compensated absences are accrued as earned by employees, and consist of accruals for vacation time. The District's liability for compensated absences is reported in the Statement of Net Position for governmental activities in the government-wide financial statements.

Net position

Equity in the financial statements is classified as net position and displayed in three components as follows:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted - Consists of restricted assets reduced by liabilities and deferred inflows of resources related to these assets.
- c. Unrestricted - Amounts not required to be reported in other components of net position.

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.

Fund balances

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components: nonspendable, restricted, committed, assigned and unassigned.

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

June 30, 2020

Note A - Summary of Significant Accounting Policies (Continued)

Nonspendable - Amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted - Amounts constrained regarding use from restrictions externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or by restrictions imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts constrained regarding use for specific purposes pursuant to requirements imposed by formal action of the District's highest level of decision making authority.

Assigned - Amounts constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The authority for assigning fund balance is expressed by the Board of Directors, District manager or their designee.

Unassigned - Amounts that have not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the District's policy to use committed resources first, then assigned, and then unassigned as they are needed.

Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Net Position and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

1. Interfund loans - Amounts provided with a requirement for repayment are reported as interfund receivables and payables.

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

June 30, 2020

Note A - Summary of Significant Accounting Policies (Continued)

2. Interfund services - Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements - Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
4. Interfund transfers - Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal balances - Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
2. Internal activities - Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers - Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.

Property taxes

Property taxes and property assessments were levied January 1, 2019, assessed July 1, 2019 and were payable in two installments on December 10, 2019 and April 10, 2020. The County of Contra Costa bills and collects property taxes on behalf of the District.

Utility sales

Utility sales are billed on a monthly basis. Estimated unbilled utility revenue through June 30 has been accrued at year-end for the enterprise funds.

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

June 30, 2020

Note A - Summary of Significant Accounting Policies (Continued)

Contributed capital

Effective August 13, 2003, the District recorded contributed capital to transfer funds from County Service M-8 to Lighting and landscaping Zone 8. The Lighting and landscaping Zone 8 district became the responsibility of the District on August 13, 2003. The contributed capital represents all capital assets and assets transferred to the District.

The District has received \$18,757,813 of noncash capital contributions from developers consisting of water and sewer infrastructure.

Budgetary accounting

The District does not adopt appropriated budgets. However, the District does adopt non-appropriated budgets annually, which are approved by the Board of Directors.

Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the basic financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

Fair value measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs other than quoted prices included within Level 1 - that are observable for an asset or liability, either directly or indirectly.

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

June 30, 2020

Note A - Summary of Significant Accounting Policies (Continued)

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

New accounting pronouncements

Standards adopted

In May 2020, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The District implemented the provisions of this Statement for the year ended June 30, 2020. The adoption of this Statement had no impact on the District's financial statements.

Standards not yet adopted

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. 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 increases the usefulness of governments' financial statements by requiring 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. The District will be required to implement the provisions of this Statement for the year ended June 30, 2022. The District has not determined the effect on the financial statements.

In January 2020, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 92, *Omnibus 2020*. The objectives of this Statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. The District will be required to implement the provisions of this Statement for the year ended June 30, 2021. The District has not determined the effect on the financial statements.

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

June 30, 2020

Note B - Cash and Investments

Cash and investments as of June 30, 2020 are classified in the accompanying financial statements as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and investments	\$ 2,376,770	\$ 22,757,952	\$ 25,134,722
Total cash and investments	<u>\$ 2,376,770</u>	<u>\$ 22,757,952</u>	<u>\$ 25,134,722</u>

At June 30, 2020, the District's total cash and investments at fair value were as follows:

Cash:	
Cash on hand	\$ 500
Deposits with financial institutions	<u>6,324,031</u>
Total cash	<u>6,324,531</u>
Investments:	
Certificate of deposit	6,782
Contra Costa County Treasurer	<u>18,803,409</u>
Total investments	<u>18,810,191</u>
Total cash and investments	<u>\$ 25,134,722</u>

Investment policy

The District maintains a cash and investment pool that is available for use by all funds except for the Lighting and landscaping fund whose investments were directed by Contra Costa County. Each fund type's portion of this pool is displayed on the statement of net position and balance sheet as "cash and investments". Cash balances from all participating funds are combined and invested to the extent possible, pursuant to the Board of Directors approved Investment Policy and guidelines, and the California Government Code, Section 53600, Division 2, Chapter 4 - Financial Affairs.

California statutes authorize special districts to invest idle, surplus, or reserve funds in a variety of credit instruments as provided for in the California Government Code, Section 53600. As specified in Government Code 53600.5, when investing, reinvesting, purchasing, acquiring, exchanging, selling or managing the District's funds, the primary objectives, in priority order, of the District's investment activities and of the District's investment policy shall be (1) safety,

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

June 30, 2020

Note B - Cash and Investments (Continued)

(2) liquidity, and (3) yield. It is the policy of the District to invest public funds in a manner to obtain the highest return obtainable with the maximum security while meeting the daily cash flow demands of the District as long as investments meet the criteria established by this policy for safety and liquidity and conform to all laws governing the investment of District funds.

The District is provided a broad spectrum of eligible investments under California Government Code Sections 53600-53609 (authorized investments), 53630-53686 (deposits and collateral), and 16429.1 (Local Agency Investment Fund). The District may choose to restrict its permitted investments to a smaller list of securities that more closely fits the District's cash flow needs and requirements for liquidity.

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive) that addresses interest rate risk, credit risk, and concentrations 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 Bills, Notes, and Bonds	5 years	None	None
U.S. Government Agency obligations	5 years	None	None
California Local Agency debt	5 years	None	None
Repurchase Agreements	1 year	20%	None
State Registered Warrants, Notes or Bonds	5 years	None	None
Bankers Acceptances	180 days	40%	30%
High Grade Commercial Paper	270 days	40%	10%
Negotiable Certificates of Deposit	5 years	30%	10%
Medium Term Corporate Notes	5 years	30%	5%
Mutual Funds	N/A	20%	None
Mortgage Pass-Through Securities	5 years	20%	5%
Collateralized Negotiable Instruments	5 years	15%	5%
Local Agency Investment Fund (LAIF)	N/A	None	None
Local Government Investment Pools	N/A	None	None

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

June 30, 2020

Note B - Cash and Investments (Continued)

The District complied with the provisions of California Government Code (or the District's investment policy, where more restrictive) pertaining to the types of investments held, institutions in which deposits were made and security requirements. The District will continue to monitor compliance with applicable statuses pertaining to public deposits and investments.

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 as necessary to provide the cash flow and liquidity needed for operations. The District's investment policy does not contain any provisions limiting interest rate risk other than what is specified in the California Government Code.

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustee) 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>Total</u>	12 months <u>or less</u>	13 - 24 <u>months</u>	25-36 <u>months</u>	37 - 48 <u>months</u>	49 - 60 <u>months</u>	More than <u>60 months</u>
Certificate of Deposit Contra Costa County Treasurer	\$ 6,782	\$ -	\$ 6,782	\$ -	\$ -	\$ -	\$ -
	<u>18,803,409</u>	<u>18,803,409</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$18,810,191</u>	<u>\$ 18,803,409</u>	<u>\$ 6,782</u>	<u>\$ -</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 a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) 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>Amount</u>	Minimum <u>Legal Rating</u>	Exempt From <u>Disclosure</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Not Rated</u>
Certificate of Deposit Contra Costa County Treasurer	\$ 6,782	N/A	\$ -	\$ -	\$ -	\$ -	\$ 6,782
	<u>18,803,409</u>	<u>N/A</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,803,409</u>
Total	<u>\$18,810,191</u>	<u>N/A</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$18,810,191</u>

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

June 30, 2020

Note B - Cash and Investments (Continued)

Concentration of Credit Risk

The investment policy of the District contains limitations on the amount that can be invested in certain types of 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 deposit 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 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 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 government unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2020, the District's bank balance was \$6,390,462 and \$373,732 of that amount was insured by the Federal Deposit Insurance Corporation and collateralized as required by state law and the remaining amount of \$6,016,730 was secured by a pledge of securities by the financial institution.

Investment in Contra Costa County Treasurer

The District's investment in the Contra Costa County investment pool is managed by the Contra Costa County Treasurer and is stated at fair value or amortized cost, which approximates fair value. Cash held by the Contra Costa County Treasury is pooled with other County deposits for investment purposes by the County Treasurer in accordance with the investment policy of the County Treasurer (see County Treasurer's investment policy at <http://www.co.contra-costa.ca.us/>). The Pool has established a treasury oversight committee to monitor and review the management of public funds maintained by the Pool. Participants' equity in the investment pool is determined by the dollar amount of the participant deposits,

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

June 30, 2020

Note B - Cash and Investments (Continued)

adjusted for withdrawals and distributed investment income. Investment income is prorated to individual funds based on their average daily cash balances. In accordance with applicable State laws, the Contra Costa County Treasurer may invest in derivative securities. However, at June 30, 2020, the Contra Costa County Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

Fair value hierarchy

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 fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The District's investment in the certificate of deposit is held with a commercial bank and is classified as Level 1. The District's investment in the County of Contra Costa Treasury Pool is classified as Level 2 and its value is based on the fair value factor provided by the Treasurer of the County of Contra Costa, which is calculated as the fair value divided by the amortized cost of the investment pool.

Note C - Accounts Receivable, Net

The accounts receivable, net balance consists of the following balances as of June 30, 2020:

	<u>General</u>	<u>Lighting & Landscaping Zone 8</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Accounts receivable	\$ 75,572	\$ 33,000	\$ 507,380	\$ 106,584	\$ 722,536
Allowance for uncollectible	<u>-</u>	<u>-</u>	<u>(71,281)</u>	<u>(1,883)</u>	<u>(73,164)</u>
Accounts receivable, net	<u>\$ 75,572</u>	<u>\$ 33,000</u>	<u>\$ 436,099</u>	<u>\$ 104,701</u>	<u>\$ 649,372</u>

Note D - Note Receivable

The District entered into a promissory note agreement with the Hofmann Land Development Company totaling \$656,378 as of June 30, 2020 with an interest rate of 5.00%. The District will receive annual principal payments of \$131,276. The note is secured and scheduled to mature in December 2023.

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

June 30, 2020

Note E - Interfund Transactions

Interfund transactions consist of the following:

Transfers between funds

Resources may be transferred from one District fund to another with approval. The purpose of the majority of transfers is to reimburse a fund which has made an expenditure on behalf of another fund. Less often, a transfer may be made to open or close a fund.

Transfers between funds during the year ended June 30, 2020 were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds		
General fund	\$ 128,451	\$ 211,089
Lighting and landscaping zone 8	450,226	425,797
Lighting and landscaping zone 9	58,574	60,694
Major Proprietary Funds		
Water fund	53,958	292,844
Sewer fund	1,063,888	1,431,964
Financing authority	<u>1,172,291</u>	<u>505,000</u>
Total interfund transfers	<u>\$ 2,927,388</u>	<u>\$ 2,927,388</u>

In general, the District uses interfund transfers to:

- Transfer unrestricted revenues collected in the water and sewer fund to help finance various programs and capital projects accounted for in other funds
- Fund operations (move revenues from the funds that collect them to the funds that statute or budget requires to expend them)
- Fund interdepartmental cost reimbursement
- Fund capital projects

The effect of the interfund activity has not been eliminated from the government-wide financial statements as the amounts relate to transfers between governmental and business-type activities. The transfers have resulted from deposits made by Contra Costa County into the Sewer and Water Fund for revenues of the General Fund.

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

June 30, 2020

Note F - Capital Assets

Capital asset activity for the year ended June 30, 2020, is as follows:

	Balance <u>June 30, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	Balance <u>June 30, 2020</u>
Governmental activities					
Nondepreciable capital assets					
Land	\$ 415,930	\$ -	\$ -	\$ -	\$ 415,930
Construction in progress	<u>131,109</u>	<u>-</u>	<u>(38,250)</u>	<u>-</u>	<u>92,859</u>
Total nondepreciable capital assets	<u>547,039</u>	<u>-</u>	<u>(38,250)</u>	<u>-</u>	<u>508,789</u>
Depreciable capital assets					
Equipment	338,501	-	-	-	338,501
Buildings and improvements	3,036,441	62,283	-	-	3,098,724
Office furniture and equipment	15,307	5,459	-	-	20,766
Vehicles	<u>80,133</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,133</u>
Total depreciable capital assets	3,470,382	67,742	-	-	3,538,124
Less accumulated depreciation	<u>(1,987,806)</u>	<u>(181,913)</u>	<u>-</u>	<u>-</u>	<u>(2,169,719)</u>
Net depreciable capital assets	<u>1,482,576</u>	<u>(114,171)</u>	<u>-</u>	<u>-</u>	<u>1,368,405</u>
Net capital assets	<u>\$ 2,029,615</u>	<u>\$ (114,171)</u>	<u>\$ (38,250)</u>	<u>\$ -</u>	<u>\$ 1,877,194</u>
Business-type activities					
Nondepreciable capital assets					
Land	\$ 307,000	\$ -	\$ -	\$ -	\$ 307,000
Construction in progress	<u>436,088</u>	<u>149,703</u>	<u>-</u>	<u>(257,695)</u>	<u>328,096</u>
Total nondepreciable capital assets	<u>743,088</u>	<u>149,703</u>	<u>-</u>	<u>(257,695)</u>	<u>635,096</u>
Depreciable capital assets					
Buildings and improvements	700,440	-	-	9,964	710,404
Treatment and collection	53,992,519	144,636	-	247,731	54,384,886
Structures and improvements	9,141,916	-	-	-	9,141,916
Equipment	883,333	12,455	-	-	895,788
Office equipment	105,583	32,461	-	-	138,044
Vehicles	<u>412,999</u>	<u>26,911</u>	<u>-</u>	<u>-</u>	<u>439,910</u>
Total depreciable capital assets	65,236,790	216,463	-	257,695	65,710,948
Less accumulated depreciation	<u>(19,111,865)</u>	<u>(2,711,550)</u>	<u>-</u>	<u>-</u>	<u>(21,823,415)</u>
Net depreciable capital assets	<u>46,124,925</u>	<u>(2,495,087)</u>	<u>-</u>	<u>257,695</u>	<u>43,887,533</u>
Net capital assets	<u>\$ 46,868,013</u>	<u>\$ (2,345,384)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,522,629</u>

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

June 30, 2020

Note F - Capital Assets (Continued)

Depreciation expense was charged to function and programs based on their usage of the related assets. The amounts allocated to each function or program were as follows:

Governmental activities:

Lighting and landscaping Zone 8	\$	165,053
Lighting and landscaping Zone 9		14,750
Community center		<u>2,110</u>
Total depreciation expense - Governmental activities	\$	<u>181,193</u>

Business-type activities:

Water	\$	669,172
Sewer		<u>2,042,378</u>
Total depreciation expense - Business-type activities	\$	<u>2,711,550</u>

Note G - Long-Term Debt

The District generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt.

Government-Wide Financial Statements

Long-term debt and other financial obligations are reported as liabilities in the appropriate activities. Bond premiums are deferred and amortized over the life of the bonds using the straight-line method.

Fund Financial Statements

The Governmental Fund Financial Statements do not include the long-term debt, as this liability is not payable in the current period. The face amount of debt issued and any premiums received are reported as other financing sources.

Proprietary Fund Financial Statements use the same principles as those used in the Government-Wide Financial Statements.

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

June 30, 2020

Note G - Long-Term Debt (Continued)

Bond Issuance Costs and Premiums

For proprietary fund types, bond premiums are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium. With the implementation of Government Accounting Standards Board (GASB) Statement No. 65, the bond issuance costs, other than prepaid insurance, are required to be expensed in the year incurred.

Current year business-type transactions and balances

The District's debt issues and transactions are summarized below and discussed in detail thereafter:

	<u>Original Amount</u>	<u>Balance June 30, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2020</u>	<u>Due within one year</u>
Business-type Activity Debt						
Discovery Bay Public Financing Authority Series 2012 Enterprise Revenue Bonds	\$ 14,150,000	\$ 12,325,000	\$ -	\$ (320,000)	\$ 12,005,000	\$ 330,000
Discovery Bay Public Financing Authority Series 2017 Enterprise Revenue Bonds	8,825,000	8,620,000	-	(185,000)	8,435,000	190,000
Unamortized Premium	<u>659,405</u>	<u>511,253</u>	<u>-</u>	<u>(30,044)</u>	<u>481,209</u>	<u>-</u>
Totals	<u>\$ 23,634,405</u>	<u>\$ 21,456,253</u>	<u>\$ -</u>	<u>\$ (535,044)</u>	<u>\$ 20,921,209</u>	<u>\$ 520,000</u>

2012 Enterprise Revenue Bonds

In August 2012, the Discovery Bay Public Financing Authority issued \$14,150,000 in enterprise revenue bonds Series 2012 to finance the acquisition and construction of certain improvements to the water and wastewater systems.

Pursuant to an Installment Purchase Agreement between the Authority and the District, the District has pledged the net revenues of the District's municipal water enterprise and wastewater enterprise.

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

June 30, 2020

Note G - Long-Term Debt (Continued)

The bonds carry coupon interest rates ranging from 1.00%-5.00% and are scheduled to mature in fiscal year 2043. Interest is payable semi-annually on December 1st and June 1st each year, while principal installments ranging from \$290,000 to \$805,000 are payable each year on December 1st.

2017 Enterprise Revenue Bonds

In April 2017, the Discovery Bay Public Financing Authority issued \$8,825,000 in enterprise revenue bonds Series 2017 to finance the costs of certain improvements to the water and wastewater systems.

Pursuant to an Installment Purchase Agreement between the Authority and the District, the District has pledged the net revenues of the District's municipal water enterprise and wastewater enterprise.

The bonds carry coupon interest rates ranging from 2.00%-5.00% and are scheduled to mature in fiscal year 2048. Interest is payable semi-annually on December 1st and June 1st each year, while principal installments ranging from \$30,000 to \$1,075,000 are payable each year on December 1st.

Annual debt service requirements for business-type debt are shown below:

<u>For the year ending June 30,</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 520,000	\$ 827,998
2022	540,000	806,731
2023	560,000	784,665
2024	580,000	764,496
2025	600,000	743,748
2026-2030	3,035,000	3,350,421
2031-2035	3,095,000	2,778,854
2036-2040	3,810,000	2,037,497
2041-2045	4,595,000	1,092,546
2046-2048	3,105,000	179,150
Total	\$ 20,440,000	\$ 13,366,106

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

June 30, 2020

Note H - Deferred Compensation Plan

Employees of the District may participate in a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The deferred compensation plan is available to all full-time employees of the District. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency. Total employer and employee contributions to the plan during the year ended June 30, 2020 were \$35,744.

Note I - Compensated Absences

Employees accrue vacation leave based on length of service. Accumulated vacation leave is subject to maximum accruals for all employees. As of June 30, 2020, the District's accrued liability for accumulated unused vacation leave is \$94,657. Employees are paid for their accumulated unused vacation leave upon separation from service. The liability is expected to be liquidated with future resources and not with expendable available financial resources.

Note J - 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; risk of loss to employees; and natural disasters. The District is a member of the Special Districts Risk Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California special districts. The purpose of the SDRMA is to arrange and administer programs for the pooling of self-insured losses to purchase excess insurance or reinsurance and to arrange for group-purchased insurance and administrative expenses. At June 30, 2020, the District participated in the property, general and auto liability, and workers' compensation programs of the SDRMA.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years. There were no reductions in insurance coverage in fiscal years 2020, 2019, and 2018. Liabilities of the District are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. The District considers claims insured and reported, as well as claims incurred but not reported, to be immaterial and has not accrued an estimate of such claims payable.

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

June 30, 2020

Note J - Risk Management (Continued)

The District is covered by the following types of insurance through the SDRMA as of June 30, 2020:

<u>Coverage</u>	<u>Limits of liability</u>
General liability	\$ 10,000,000
Public officials and employees errors	10,000,000
Elected officials personal liability	500,000
Employment practices liability	10,000,000
Employee benefits liability	10,000,000
Employee and public officials dishonesty coverage	1,000,000
Auto liability	10,000,000
Uninsured/underinsured motorists	1,000,000
Property coverage	1,000,000,000
Boiler and machinery	100,000,000
Statutory workers' compensation	Statutory

Note K - Governing Board

The powers of the District are exercised by a Board of Directors consisting of five directors each elected for a term of four years by the qualified electors within the District.

As of June 30, 2020, the members of the District's Board of Directors were as follows:

<u>Director</u>	<u>Term expires</u>
Bill Mayer	December 2020
Bill Pease	December 2020
Kevin Graves	December 2022
Robert Leete	December 2022
Bryon Gutow	December 2022

Note L - Contingencies and Commitments

The District is involved in litigation arising in the ordinary course of operations that, in the opinion of management, will not have a material effect on the financial condition of the District. In addition, the District has entered into construction and service contracts with various companies. Many of the contracts are considered fixed fee arrangements. However, work under these contracts could be discontinued at the direction of the District. Therefore, it is the opinion of management that a fixed commitment does not exist.

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

June 30, 2020

Note L - Contingencies and Commitments (Continued)

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. Subsequent to the declaration of a pandemic, a variety of federal, state, and local governments have taken actions in response to the pandemic, which have ranged in jurisdiction, but are generally expected to result in a variety of negative economic consequences, the scope of which are not currently known or quantifiable. The duration and intensity of the impact of the coronavirus and resulting impact to the District is unknown.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

**Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual -
Major Special Revenue Fund**

Year ended June 30, 2020

	Lighting and Landscaping Zone 8		
	Budgeted amounts <u>original/final</u>	Actual amounts <u> </u>	Variance with final budget positive/ (negative) <u> </u>
Revenues			
Property taxes	\$ 672,615	\$ 703,401	\$ 30,786
Other	316,475	73,698	(242,777)
Reimbursements	61,000	67,787	6,787
Interest	<u>-</u>	<u>32,819</u>	<u>32,819</u>
Total revenues	<u>1,050,090</u>	<u>877,705</u>	<u>(172,385)</u>
Expenditures			
Payroll expenses	425,000	339,488	85,512
Utilities	179,000	166,339	12,661
Other	145,300	104,949	40,351
Repairs and maintenance	124,250	94,483	29,767
Professional fees	5,700	16,075	(10,375)
Insurance	6,200	7,948	(1,748)
Capital outlay	<u>485,000</u>	<u>66,177</u>	<u>418,823</u>
Total expenditures	<u>1,370,450</u>	<u>795,459</u>	<u>574,991</u>
Excess (deficiency) of revenues over expenditures prior to other financing sources (uses)	<u>(320,360)</u>	<u>82,246</u>	<u>402,606</u>
Other financing sources (uses)			
Operating transfers in	-	450,226	450,226
Operating transfers out	<u>-</u>	<u>(425,798)</u>	<u>(425,798)</u>
Total other financing sources (uses)	<u>-</u>	<u>24,428</u>	<u>24,428</u>
Net change in fund balance	(320,360)	106,674	427,034
Fund balance, beginning of year	<u>1,836,461</u>	<u>1,836,461</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,516,101</u>	<u>\$ 1,943,135</u>	<u>\$ 427,034</u>

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Required Supplementary Information

June 30, 2020

The manager of the District prepares an expenditure budget annually which is approved by the Board of Directors setting forth the contemplated fiscal requirements. The District's budgets are maintained on the modified accrual basis of accounting. The results of operations are presented in the budget to actual schedule in accordance with the budgetary basis.

Reported budget amounts reflect the annual budget as originally adopted. There were no amendments to the budget during the year ended June 30, 2020. The budget amounts are based on estimates of the District's expenditures and the proposed means of financing them. Actual expenditures for capital outlay, debt service and contingencies may vary significantly from budget due to timing of such expenditures.

OTHER INDEPENDENT AUDITORS' REPORT



CROCE, SANGUINETTI, & VANDER VEEN^{INC.}

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Directors
Town of Discovery Bay Community
Services District
Discovery Bay, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Town of Discovery Bay Community Services District** (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 8, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Croce, Sanguinetti, & Vander Veen, Inc.

CROCE, SANGUINETTI, & VANDER VEEN, INC.

Certified Public Accountants

Stockton, California

March 8, 2021