



**TOWN OF DISCOVERY BAY
COMMUNITY SERVICES DISTRICT**

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2023



CROCE, SANGUINETTI, & VANDER VEEN

INC.

CERTIFIED PUBLIC ACCOUNTANTS

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

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Town of Discovery Bay Community Services District** (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Town of Discovery Bay Community Services District** as of June 30, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the State Controller's Minimum Audit Requirements for California Special Districts. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Town of Discovery Bay Community Services District**, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **Town of Discovery Bay Community Services District's** ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **Town of Discovery Bay Community Services District's** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Town of Discovery Bay Community Services District's** ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2024, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Croce, Sanguinetti, & Vander Veen, Inc.

CROCE, SANGUINETTI, & VANDER VEEN, INC.

Certified Public Accountants

Stockton, California

March 7, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis

June 30, 2023

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, 2023 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 decreased by \$(656,641) over the prior year, including a (\$17,507) decrease in net position of governmental activities, and a \$(639,134) decrease in net position of business-type activities. The District's net position is now \$51,372,991.
- Total assets of the District were \$90,416,226 with capital assets at \$58,681,872 net of accumulated depreciation. Current, non-current and other assets were \$31,734,354.
- Total liabilities were \$39,017,299 consisting of long-term liabilities of \$36,477,084 and other current liabilities of \$2,540,215.
- Assets of the District exceeded liabilities at the close of the most recent fiscal year by \$51,372,991 (net position). Of this amount, \$19,500,378 (unrestricted net position) may be used to meet the District's ongoing obligations, \$8,846,741 is restricted for capital projects, and \$23,025,872 is net investment in capital assets.
- On the current financial resources basis, the District's governmental fund expenditures exceeded revenues (including \$230,913 in capital outlay expenditures) by \$(56,307). The proprietary fund expenses exceeded revenues by \$(639,134).
- At year-end, there was \$2,584,562 in cash and investments to fund future governmental activities, and \$28,354,730 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, 2023

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, 2023

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, 2023, the District's net position was \$51,372,991, a decrease of \$(656,641) 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, 2023 and 2022

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		<u>Variance</u>
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>\$</u>
<u>Assets</u>							
Current and other assets	\$ 2,637,365	\$ 2,711,347	\$ 29,096,989	\$ 37,767,335	\$ 31,734,354	\$ 40,478,682	\$ (8,744,328)
Non-current assets	-	-	-	41,933	-	41,933	(41,933)
Capital assets, net	<u>2,323,834</u>	<u>2,302,533</u>	<u>56,358,038</u>	<u>50,367,489</u>	<u>58,681,872</u>	<u>52,670,022</u>	<u>6,011,850</u>
Total assets	<u>4,961,199</u>	<u>5,013,880</u>	<u>85,455,027</u>	<u>88,176,757</u>	<u>90,416,226</u>	<u>93,190,637</u>	<u>(2,774,411)</u>
Deferred outflows of resources	-	-	-	-	-	-	-
<u>Liabilities</u>							
Current liabilities	165,893	201,580	2,374,322	3,547,587	2,540,215	3,749,167	(1,208,952)
Non-current liabilities	<u>30,278</u>	<u>29,765</u>	<u>36,446,806</u>	<u>37,382,073</u>	<u>36,477,084</u>	<u>37,411,838</u>	<u>(934,754)</u>
Total liabilities	<u>196,171</u>	<u>231,345</u>	<u>38,821,128</u>	<u>40,929,660</u>	<u>39,017,299</u>	<u>41,161,005</u>	<u>(2,143,706)</u>
Deferred inflows of resources	-	-	25,936	-	25,936	-	25,936
<u>Net Position</u>							
Invested in capital assets	2,323,834	2,302,533	20,702,038	14,127,489	23,025,872	16,430,022	6,595,850
Restricted	-	-	6,843,850	16,491,975	6,843,850	16,491,975	(9,648,125)
Unrestricted	<u>2,441,194</u>	<u>2,480,002</u>	<u>19,062,075</u>	<u>16,627,633</u>	<u>21,503,269</u>	<u>19,107,635</u>	<u>2,395,634</u>
Total net position	<u>\$ 4,765,028</u>	<u>\$ 4,782,535</u>	<u>\$ 46,607,963</u>	<u>\$ 47,247,097</u>	<u>\$ 51,372,991</u>	<u>\$ 52,029,632</u>	<u>\$ (656,641)</u>

By far the largest portion of the District's net position, 44.82%, reflects its net investment in capital assets (e.g., land, buildings and improvements, equipment, etc.); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The second largest portion of the District's net position, 41.86%, reflects its unrestricted net position, which may be used to meet the government's ongoing obligations.

The restricted portion of the District's net position, \$6,843,850, is subject to constraints by bond financing agreements and enabling legislation.

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Management’s Discussion and Analysis

June 30, 2023

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, 2023.

Town of Discovery Bay Community Services District Change in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenues						
Program revenues						
Charges for services	\$ 155,566	\$ 73,471	\$11,345,674	\$11,027,459	\$ 11,501,240	\$11,100,930
Operating grants and contributions	-	-	2,970	67,570	2,970	67,570
General revenues						
Property taxes	828,881	763,243	-	-	828,881	763,243
Assessments	158,161	150,634	-	-	158,161	150,634
Investment income	21,435	21	512,429	1,589	533,864	1,610
Other	<u>176,569</u>	<u>212,862</u>	<u>203,076</u>	<u>119,410</u>	<u>379,645</u>	<u>332,272</u>
Total revenues	<u>1,340,612</u>	<u>1,200,231</u>	<u>12,064,151</u>	<u>11,216,028</u>	<u>13,404,761</u>	<u>12,416,259</u>
Expenses						
General government	78,675	65,928	-	-	78,675	65,928
Community center	1,283	1,283	-	-	1,283	1,283
Lighting and landscaping						
Zone 8	1,111,722	959,313	-	-	1,111,722	959,313
Lighting and landscaping						
Zone 9	166,439	132,557	-	-	166,439	132,557
Water	-	-	4,859,577	4,696,931	4,859,577	4,696,931
Sewer	-	-	6,299,502	5,869,983	6,299,502	5,869,983
Financing authority	-	-	<u>1,544,204</u>	<u>1,121,407</u>	<u>1,544,204</u>	<u>1,121,407</u>
Total expenses	<u>1,358,119</u>	<u>1,159,081</u>	<u>12,703,283</u>	<u>11,688,321</u>	<u>14,061,402</u>	<u>12,847,402</u>
Change in net position	(17,507)	41,150	(639,134)	(472,293)	(656,641)	(431,143)
Net position, beginning of year	<u>4,782,535</u>	<u>4,741,385</u>	<u>47,247,097</u>	<u>47,719,390</u>	<u>52,029,632</u>	<u>52,460,775</u>
Net position, end of year	<u>\$ 4,765,028</u>	<u>\$ 4,782,535</u>	<u>\$46,607,963</u>	<u>\$47,247,097</u>	<u>\$51,372,991</u>	<u>\$52,029,632</u>

The \$(656,641) decrease in net position is attributed to each function as follows:

Governmental Activities

- Charges for services increased by \$82,095 due to an increase in Community Center program fees.
- Property tax revenue increased by \$65,638 due to an increase in assessed values of properties during the year.
- Expenses increased \$199,038 due to increases in payroll expenses, utilities and other expenses.

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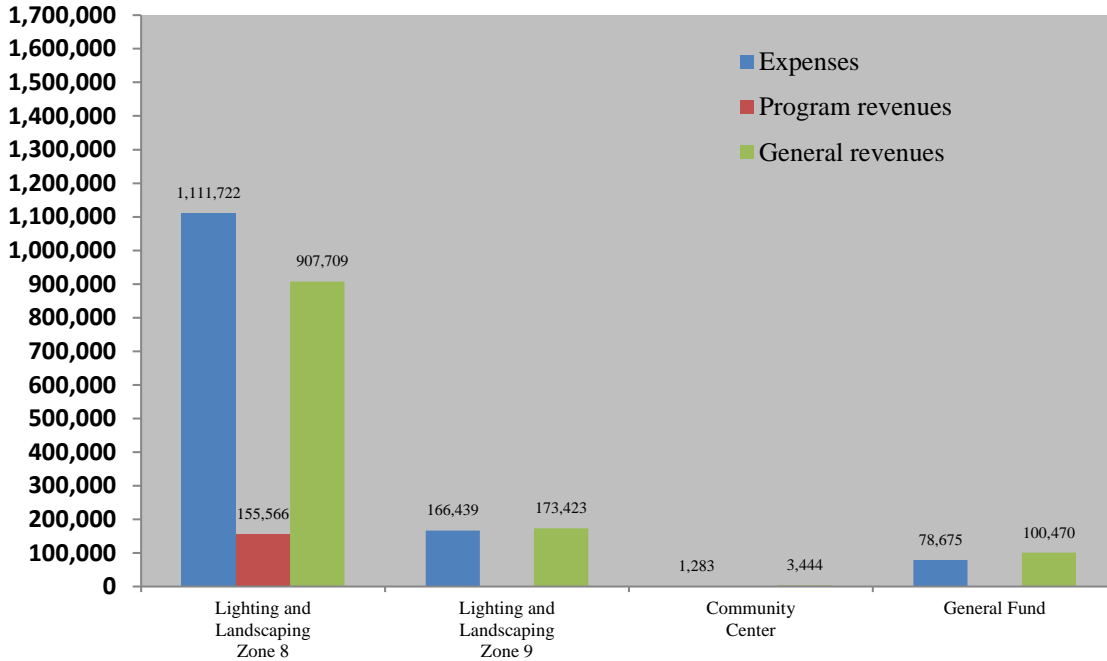
TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Management’s Discussion and Analysis

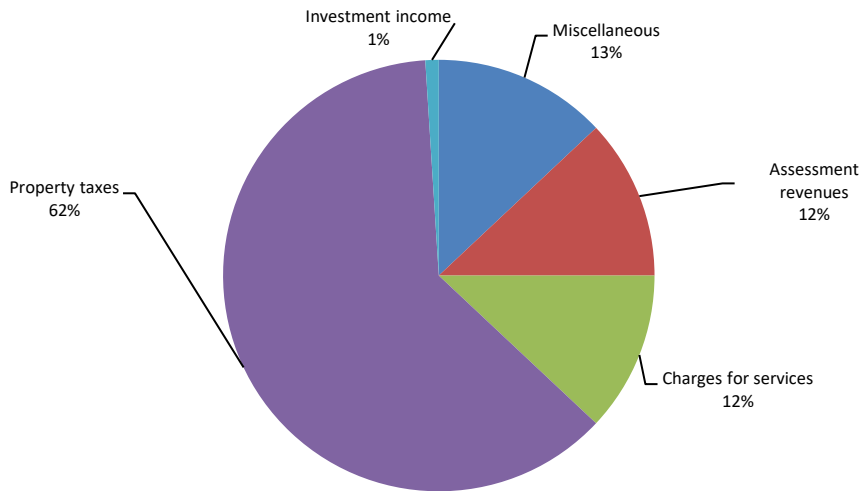
June 30, 2023

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

Expenses and Revenues - Governmental Activities



Revenues by Source - Governmental Activities



(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Management’s Discussion and Analysis

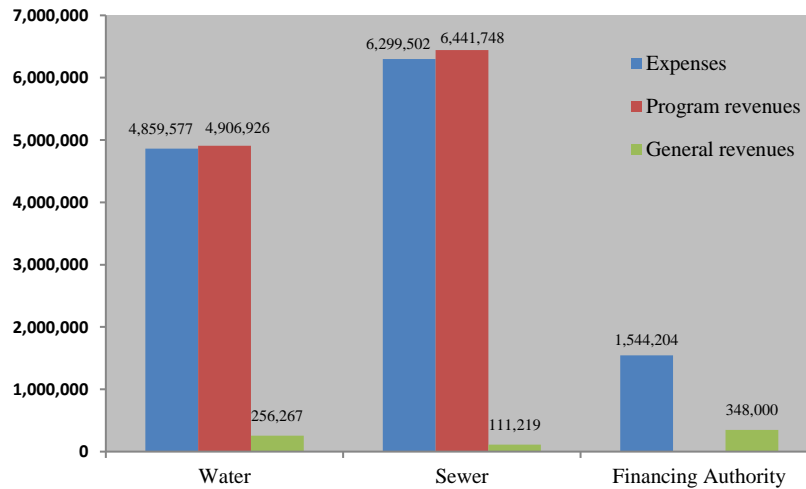
June 30, 2023

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

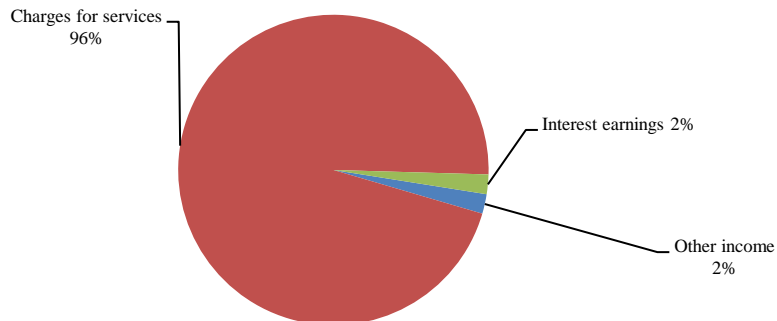
Business-type Activities

- Charges for services increased \$318,215 due to increases in water and sewer capacity fees and connection fees.
- Investment income increased \$510,840 due to the District utilizing commercial bank accounts earning greater interest on funds held during the year. Increased investment earnings were also the result of larger funds held with bond escrow agent earning greater returns.
- Other revenues increased \$83,666 due to an increase in reimbursement revenue.
- Expenses increased \$1,014,963 primarily due to increases in chemicals, contract services, insurance, utilities, and repairs and maintenance.

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, 2023

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 expenditures exceeded revenues by \$(56,307) primarily due to expenditures exceeding revenues. This resulted in a \$(56,307) decrease in the combined ending fund balance of the District's governmental funds. The fund balance of the Lighting and Landscaping Zone 8 fund decreased by \$(100,848), the fund balance of the Lighting and Landscaping Zone 9 fund increased by \$30,964, the fund balance of the community center fund increased by \$3,445, and the fund balance of the general fund increased by \$10,132. At year-end, the combined fund balance of the governmental funds was \$2,453,460, 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 decreased by \$(639,134) from \$47,247,097 to \$46,607,963. The net position included \$19,062,075 in unrestricted net position which has decreased by \$331,592 or 1.71% from the previous year. The decrease in unrestricted net position is primarily due to the increase in expenditures since the prior year.

Capital Asset and Debt Administration

Capital Assets

At the end of fiscal year 2023, the District's investment in capital assets amounted to \$58,681,872 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, vehicles, structures and improvements, and treatment and collection.

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis

June 30, 2023

Capital Asset and Debt Administration (Continued)

The District's total investment in capital assets before depreciation increased by \$9,058,984 from \$82,501,676 to \$91,560,660. Significant additions to capital assets included:

- Water Treatment Plant - Well #8 \$(122,138)
- Land-Parcel E Subdivision (Well #8) \$(149,896)
- Ford F750 Crane Truck \$(91,508)
- Ford F250 \$(61,443)
- Edgeview Pipeline Replacement \$(157,800)
- Willow Lake Filter Addition \$(204,974)
- Wastewater Distribution Diffuser Improvements \$(27,027)
- Wastewater Denitrification Project \$(7,489,380)
- Wastewater Vacuum Truck \$(492,568)
- L&L #8 Community Center Doors \$(27,594)
- L&L #8 Clipper Landscape \$(156,312)
- L&L #8 Resurfacing of Cornell Park Basketball Courts \$(20,900)

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	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Land	\$ 415,930	\$ 415,930	\$ 456,896	\$ 307,000	\$ 872,826	\$ 722,930
Buildings and improvements	3,923,200	3,695,869	772,294	765,180	4,695,494	4,461,049
Treatment and collection	-	-	56,280,864	56,280,864	56,280,864	56,280,864
Structure and improvements	-	-	9,193,131	9,035,330	9,193,131	9,035,330
Equipment	604,797	601,215	1,041,906	1,031,007	1,646,703	1,632,222
Office furniture and equipment	25,665	25,665	153,009	153,009	178,674	178,674
Vehicles	80,133	80,133	1,112,905	467,384	1,193,038	547,517
Construction in progress	-	-	<u>17,499,936</u>	<u>9,643,090</u>	<u>17,499,936</u>	<u>9,643,090</u>
Total	5,049,725	4,818,812	86,510,941	77,682,864	91,560,666	82,501,676
Less accumulated depreciation	<u>(2,725,891)</u>	<u>(2,516,279)</u>	<u>(30,152,903)</u>	<u>(27,315,375)</u>	<u>(32,878,794)</u>	<u>(29,831,654)</u>
Net capital assets	<u>\$ 2,323,834</u>	<u>\$ 2,302,533</u>	<u>\$56,358,038</u>	<u>\$50,367,489</u>	<u>\$58,681,872</u>	<u>\$ 52,670,022</u>

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

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis

June 30, 2023

Debt Administration

At June 30, 2023, the District had \$35,656,000 in debt outstanding as compared to \$36,240,000 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. During the fiscal year 2022, the District received Series 2022 Enterprise Revenue Bonds to finance the costs of certain improvements to the water and wastewater enterprise system. During the fiscal year 2023, the District issued \$11,650,000 Discovery Bay Public Financing Authority Enterprise Revenue Refunding Bonds, Series 2022B. The bonds were issued to refinance the Series 2012 Enterprise Revenue Bonds. Additional information regarding the District's debt can be found in Note F of this report.

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, 2023

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Assets			
Current assets:			
Cash and investments	\$ 2,584,562	\$ 19,507,989	\$ 22,092,551
Cash and investments - restricted	-	8,846,741	8,846,741
Accounts receivable, net of allowance for doubtful accounts	44,381	689,264	733,645
Advances on taxes	8,422	832	9,254
Prepaid expenses	-	52,163	52,163
Non-current assets:			
Capital assets, net of accumulated depreciation	<u>2,323,834</u>	<u>56,358,038</u>	<u>58,681,872</u>
Total assets	<u>4,961,199</u>	<u>85,455,027</u>	<u>90,416,226</u>
Deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities			
Current liabilities:			
Accounts payable	165,893	1,368,323	1,534,216
Interest payable	-	125,637	125,637
Other accrued liabilities	-	32,362	32,362
Bonds payable-current	-	848,000	848,000
Non-current liabilities:			
Compensated absences	30,278	62,831	93,109
Bonds payable	-	34,808,000	34,808,000
Unamortized bond premium	<u>-</u>	<u>1,575,975</u>	<u>1,575,975</u>
Total liabilities	<u>196,171</u>	<u>38,821,128</u>	<u>39,017,299</u>
Deferred inflows of resources	<u>-</u>	<u>25,936</u>	<u>25,936</u>
Net Position			
Net investment in capital assets	2,323,834	20,702,038	23,025,872
Restricted for:			
Capital projects	-	6,843,850	6,843,850
Unrestricted	<u>2,441,194</u>	<u>19,062,075</u>	<u>21,503,269</u>
Total net position	<u>\$ 4,765,028</u>	<u>\$ 46,607,963</u>	<u>\$ 51,372,991</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, 2023

		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	\$ 78,675	\$ -	\$ -	\$ -
Community center	1,283	-	-	-
Lighting and landscaping Zone 8	1,111,722	155,566	-	-
Lighting and landscaping Zone 9	<u>166,439</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>1,358,119</u>	<u>155,566</u>	<u>-</u>	<u>-</u>
Business-type activities				
Water	4,859,577	4,903,926	2,970	-
Sewer	6,299,502	6,441,748	-	-
Financing Authority	<u>1,544,204</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>12,703,283</u>	<u>11,345,674</u>	<u>2,970</u>	<u>-</u>
Total government	<u>\$ 14,061,402</u>	<u>\$ 11,501,240</u>	<u>\$ 2,970</u>	<u>\$ -</u>

General revenues

Taxes

 Property taxes

 Homeowners property tax relief

Investment income

Other income

Assessments

Total general revenues and transfers

Change in net position

Net position, beginning of year

Net position, end of year

Net (expense) revenue and changes in net position

<u>Governmental</u> <u>activities</u>	<u>Business-type</u> <u>activities</u>	<u>Totals</u>
\$ (78,675)	\$ -	\$ (78,675)
(1,283)	-	(1,283)
(956,156)	-	(956,156)
<u>(166,439)</u>	<u>-</u>	<u>(166,439)</u>
<u>(1,202,553)</u>	<u>-</u>	<u>(1,202,553)</u>
-	47,319	47,319
-	142,246	142,246
<u>-</u>	<u>(1,544,204)</u>	<u>(1,544,204)</u>
<u>-</u>	<u>(1,354,639)</u>	<u>(1,354,639)</u>
<u>(1,202,553)</u>	<u>(1,354,639)</u>	<u>(2,557,192)</u>
825,059	-	825,059
3,822	-	3,822
21,435	512,429	533,864
176,569	203,076	379,645
<u>158,161</u>	<u>-</u>	<u>158,161</u>
<u>1,185,046</u>	<u>715,505</u>	<u>1,900,551</u>
(17,507)	(639,134)	(656,641)
<u>4,782,535</u>	<u>47,247,097</u>	<u>52,029,632</u>
<u>\$ 4,765,028</u>	<u>\$ 46,607,963</u>	<u>\$ 51,372,991</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, 2023

		Special revenue funds			
	General fund	Community center	Lighting and landscaping Zone 8	Lighting and landscaping Zone 9	Total governmental funds
Assets					
Cash and investments	\$ 140,632	\$ 342,366	\$ 1,740,898	\$ 360,666	\$ 2,584,562
Accounts receivable	15,841	-	8,422	2,106	26,369
Advances on taxes	-	-	8,422	-	8,422
Total assets	\$ 156,473	\$ 342,366	\$ 1,757,742	\$ 362,772	\$ 2,619,353
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 10,776	\$ -	\$ 130,121	\$ 24,996	\$ 165,893
Total liabilities	10,776	-	130,121	24,996	165,893
Fund balances					
Committed to:					
Community center	-	342,366	-	-	342,366
Lighting and landscaping Zone 8	-	-	1,627,621	-	1,627,621
Lighting and landscaping Zone 9	-	-	-	337,776	337,776
Unassigned	145,697	-	-	-	145,697
Total fund balances	145,697	342,366	1,627,621	337,776	2,453,460
Total liabilities and fund balances	\$ 156,473	\$ 342,366	\$ 1,757,742	\$ 362,772	\$ 2,619,353
Reconciliation to statement of net position					
Total governmental fund balances					\$ 2,453,460
Amounts reported for governmental activities in the statement of net position are different because:					
Accounts receivable are not available to pay for current period expenditures and, therefore, are not reported in the funds.					18,012
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds					2,323,834
Long-term liabilities are not due and payable in the current period, and, therefore, are not reported in the balance sheet of governmental funds					(30,278)
Net position of governmental activities					\$ 4,765,028

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, 2023

	<u>General fund</u>	<u>Special revenue funds</u>			<u>Total governmental funds</u>
		<u>Community center</u>	<u>Lighting and landscaping Zone 8</u>	<u>Lighting and landscaping Zone 9</u>	
Revenues					
Property taxes	\$ -	\$ -	\$ 825,059	\$ -	\$ 825,059
Other	20,388	-	169,461	-	189,849
Assessment income	-	-	-	158,161	158,161
Reimbursements	67,014	-	45,809	11,452	124,275
Interest income	1,406	3,445	14,045	2,539	21,435
Homeowners property tax relief	<u>-</u>	<u>-</u>	<u>3,822</u>	<u>-</u>	<u>3,822</u>
Total revenues	<u>88,808</u>	<u>3,445</u>	<u>1,058,196</u>	<u>172,152</u>	<u>1,322,601</u>
Expenditures					
Payroll expenses	-	-	457,534	37,610	495,144
Repairs and maintenance	78,676	-	144,033	56,091	278,800
Utilities	-	-	195,334	22,246	217,580
Other	-	-	114,631	17,873	132,504
Insurance	-	-	11,000	3,000	14,000
Professional fees	-	-	5,599	4,368	9,967
Capital outlay	<u>-</u>	<u>-</u>	<u>230,913</u>	<u>-</u>	<u>230,913</u>
Total expenditures	<u>78,676</u>	<u>-</u>	<u>1,159,044</u>	<u>141,188</u>	<u>1,378,908</u>
Net change in fund balances	10,132	3,445	(100,848)	30,964	(56,307)
Fund balances, beginning of year	<u>135,565</u>	<u>338,921</u>	<u>1,728,469</u>	<u>306,812</u>	<u>2,509,767</u>
Fund balances, end of year	<u>\$ 145,697</u>	<u>\$ 342,366</u>	<u>\$ 1,627,621</u>	<u>\$ 337,776</u>	<u>\$ 2,453,460</u>

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, 2023

Net change in fund balances - governmental funds	\$ (56,307)
Amounts reported for governmental activities in the statement of activities are different because of the following:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds until such time as they are considered a current financial resource.	18,012
Depreciation expense related to capital assets is recognized in the statement of activities, but is not reported in the funds.	(209,612)
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.	230,913
Changes in compensated absences are recorded as an expense in the statement of activities, but are not reported in the funds.	<u>(513)</u>
Change in net position of governmental activities	<u>\$ (17,507)</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, 2023

	<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	\$ 7,590,589	\$ 11,917,400	\$ -	\$ 19,507,989
Cash and investments - restricted	-	-	8,846,741	8,846,741
Accounts receivable, net	600,592	88,672	-	689,264
Interest receivable	-	-	125,637	125,637
Prepaid expenses	20,865	31,298	-	52,163
Advances on taxes	<u>333</u>	<u>499</u>	<u>-</u>	<u>832</u>
Total current assets	<u>8,212,379</u>	<u>12,037,869</u>	<u>8,972,378</u>	<u>29,222,626</u>
Non-current assets				
Debt service - installment receivable	-	-	35,656,000	35,656,000
Capital assets, net of accumulated depreciation	<u>10,063,373</u>	<u>36,393,511</u>	<u>9,901,154</u>	<u>56,358,038</u>
Total non-current assets	<u>10,063,373</u>	<u>36,393,511</u>	<u>45,557,154</u>	<u>92,014,038</u>
Deferred outflows of resources				
Total assets and deferred outflows of resources	<u>\$ 18,275,752</u>	<u>\$ 48,431,380</u>	<u>\$ 54,529,532</u>	<u>\$ 121,236,664</u>
<u>Liabilities, Deferred Inflows of Resources and Net Position</u>				
Current liabilities				
Accounts payable	\$ 410,555	\$ 556,788	\$ 400,980	\$ 1,368,323
Interest payable	24,867	100,770	125,637	251,274
Bonds payable - current	<u>-</u>	<u>-</u>	<u>848,000</u>	<u>848,000</u>
Total current liabilities	<u>435,422</u>	<u>657,558</u>	<u>1,374,617</u>	<u>2,467,597</u>
Non-current liabilities				
Other accrued liabilities	27,880	4,482	-	32,362
Debt service - installment payable	6,545,000	29,111,000	-	35,656,000
Compensated absences	27,220	35,611	-	62,831
Bonds payable	-	-	34,808,000	34,808,000
Unamortized bond premium	<u>-</u>	<u>-</u>	<u>1,575,975</u>	<u>1,575,975</u>
Total non-current liabilities	<u>6,600,100</u>	<u>29,151,093</u>	<u>36,383,975</u>	<u>72,135,168</u>
Deferred inflows of resources				
Total liabilities, deferred inflows of resources and net position	<u>-</u>	<u>-</u>	<u>25,936</u>	<u>25,936</u>
Net Position				
Net investment in capital assets	10,063,373	36,393,511	(25,754,846)	20,702,038
Restricted for capital projects	(6,545,000)	(29,111,000)	42,499,850	6,843,850
Unrestricted				
Board designated	1,525,000	1,830,600	-	3,355,600
Undesignated	<u>6,196,857</u>	<u>9,509,618</u>	<u>-</u>	<u>15,706,475</u>
Total net position	<u>11,240,230</u>	<u>18,622,729</u>	<u>16,745,004</u>	<u>46,607,963</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 18,275,752</u>	<u>\$ 48,431,380</u>	<u>\$ 54,529,532</u>	<u>\$ 121,236,664</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, 2023

	Water <u>fund</u>	Sewer <u>fund</u>	Financing Authority <u>fund</u>	<u>Total</u>
Operating revenues				
Charges for services	\$ 4,844,038	\$ 6,298,444	\$ -	\$ 11,142,482
Connection fees	59,888	143,304	-	203,192
Other	170,272	32,804	-	203,076
Grants	<u>2,970</u>	<u>-</u>	<u>-</u>	<u>2,970</u>
Total operating revenues	<u>5,077,168</u>	<u>6,474,552</u>	<u>-</u>	<u>11,551,720</u>
Operating expenses				
Depreciation	733,646	2,103,882	-	2,837,528
Contract services	817,720	1,765,322	-	2,583,042
Repairs and maintenance	1,166,155	320,210	-	1,486,365
Payroll expenses	642,690	824,992	-	1,467,682
Utilities	644,125	713,172	-	1,357,297
Insurance	223,709	236,370	-	460,079
Professional fees	252,641	94,755	-	347,396
Miscellaneous	116,948	56,469	-	173,417
Permits and fees	57,636	77,712	-	135,348
Chemicals	59,125	-	-	59,125
Telephone and communications	19,578	33,778	-	53,356
Supplies	19,518	27,747	-	47,265
Contract mailings	45,209	-	-	45,209
Rent	13,200	19,800	-	33,000
Directors' expenses	11,960	17,940	-	29,900
Bank fees and merchant charges	25,557	-	-	25,557
Memberships	<u>10,160</u>	<u>7,353</u>	<u>-</u>	<u>17,513</u>
Total operating expenses	<u>4,859,577</u>	<u>6,299,502</u>	<u>-</u>	<u>11,159,079</u>
Operating income	<u>217,591</u>	<u>175,050</u>	<u>-</u>	<u>392,641</u>
Nonoperating revenues (expenses)				
Investment income	85,994	78,415	348,020	512,429
Interest expense	-	-	(1,391,996)	(1,391,996)
Bond issuance cost	<u>-</u>	<u>-</u>	<u>(152,208)</u>	<u>(152,208)</u>
Total nonoperating revenues (expenses)	<u>85,994</u>	<u>78,415</u>	<u>(1,196,184)</u>	<u>(1,031,775)</u>
Operating transfers in (out)	<u>(3,108,750)</u>	<u>1,379,108</u>	<u>1,729,642</u>	<u>-</u>
Changes in net position	(2,805,165)	1,632,573	533,458	(639,134)
Net position, beginning of year	<u>14,045,395</u>	<u>16,990,156</u>	<u>16,211,546</u>	<u>47,247,097</u>
Net position, end of year	<u>\$ 11,240,230</u>	<u>\$ 18,622,729</u>	<u>\$ 16,745,004</u>	<u>\$ 46,607,963</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, 2023

	<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	\$ 4,870,372	\$ 6,504,978	\$ -	\$ 11,375,350
Payments to vendors and suppliers	(4,103,332)	(3,059,828)	(502,554)	(7,665,714)
Payments to employees and directors	(666,731)	(855,954)	-	(1,522,685)
Net cash provided by (used in) operating activities	<u>100,309</u>	<u>2,589,196</u>	<u>(502,554)</u>	<u>2,186,951</u>
Cash flows from non-capital financing activities				
Transfers in (out)	(540,561)	(1,786,335)	2,326,896	-
Net cash used in non-capital financing activities	<u>(540,561)</u>	<u>(1,786,335)</u>	<u>2,326,896</u>	<u>-</u>
Cash flows from capital and related financing activities				
Proceeds from refunding bonds	-	-	11,650,000	11,650,000
Bond issuance costs	-	-	(152,208)	(152,208)
Principal payments on bonds payable	-	-	(904,000)	(904,000)
Interest payments on bonds payable	-	-	(1,405,250)	(1,405,250)
Premium on bonds	-	-	(286,525)	(286,525)
Payment to refunded bond escrow agent	-	-	(11,330,000)	(11,330,000)
Proceeds from refinanced purchase	-	-	25,936	25,936
Acquisition of capital assets	(679,954)	(732,574)	(7,415,549)	(8,828,077)
Net cash used in capital and related financing activities	<u>(679,954)</u>	<u>(732,574)</u>	<u>(9,817,596)</u>	<u>(11,230,124)</u>
Cash flows from investing activities				
Interest received	85,994	78,415	348,020	512,429
Net cash provided by investing activities	<u>85,994</u>	<u>78,415</u>	<u>348,020</u>	<u>512,429</u>
Net increase (decrease) in cash and investments	(1,034,212)	148,702	(7,645,234)	(8,530,744)
Cash and investments, beginning of year	<u>8,624,801</u>	<u>11,768,698</u>	<u>16,491,975</u>	<u>36,885,474</u>
Cash and investments, end of year (including \$8,846,741 of restricted cash and investments as of June 30, 2023)	<u>\$ 7,590,589</u>	<u>\$ 11,917,400</u>	<u>\$ 8,846,741</u>	<u>\$ 28,354,730</u>
Reconciliation of operating income to net cash provided by (used in) operating activities				
Operating income	\$ 217,591	\$ 175,050	\$ -	\$ 392,641
Adjustments to reconcile operating income to net cash provided by (used in) operating activities				
Depreciation	733,646	2,103,882	-	2,837,528
Change in assets and liabilities				
Accounts receivable	(206,796)	30,426	-	(176,370)
Prepaid expenses	126,389	189,583	-	315,972
Debt issuance costs - prepaid insurance	-	-	41,933	41,933
Accounts payable	(749,958)	98,795	(544,487)	(1,195,650)
Accrued payroll	(16,912)	(21,449)	-	(38,361)
Other accrued liabilities	(8,482)	4,482	-	(4,000)
Compensated absences	4,831	8,427	-	13,258
Net cash provided by (used in) operating activities	<u>\$ 100,309</u>	<u>\$ 2,589,196</u>	<u>\$ (502,554)</u>	<u>\$ 2,186,951</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, 2023

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 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, 2023

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, 2023

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, 2023

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, 2023

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, 2023

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.

Restricted cash and investments include proceeds from the 2022 enterprise revenue bonds and the 2022B enterprise revenue refunding bonds which are restricted for capital projects and repayment of bonds.

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, 2023

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.

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.

Amortization

The effective interest method is used for the amortization of unamortized bond discounts and bond premiums.

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

June 30, 2023

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.

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

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

June 30, 2023

Note A - Summary of Significant Accounting Policies (Continued)

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.
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.

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

June 30, 2023

Note A - Summary of Significant Accounting Policies (Continued)

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, 2022, assessed July 1, 2022 and were payable in two installments on December 10, 2022 and April 10, 2023. 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.

Contributed capital

Effective August 13, 2003, the District recorded \$947,190 of 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 received \$35,847 of noncash capital contributions from developers consisting of park and open space easement for Lighting & Landscaping Zone 9.

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

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

June 30, 2023

Note A - Summary of Significant Accounting Policies (Continued)

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.

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 not yet adopted

In June 2022, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement is effective for fiscal years beginning after December 15, 2023. The District will be required to implement the provisions of this Statement for the year ended June 30, 2025. 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, 2023

Note B - Cash and Investments

Cash and investments as of June 30, 2023 are classified in the accompanying financial statements as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and investments	\$ 2,584,562	\$ 28,354,730	\$ 30,939,292
Total cash and investments	<u>\$ 2,584,562</u>	<u>\$ 28,354,730</u>	<u>\$ 30,939,292</u>

At June 30, 2023, the District’s total cash and investments at fair value were as follows:

Cash:	
Cash on hand	\$ 200
Deposits with financial institutions	21,953,265
Deposits held by bond trustee - deposits with financial institutions	<u>8,846,741</u>
Total cash	<u>30,800,206</u>
Investments:	
Certificate of deposit	6,960
Contra Costa County Treasurer	<u>132,126</u>
Total investments	<u>139,086</u>
Total cash and investments	<u>\$ 30,939,292</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, 2023

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

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.

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

June 30, 2023

Note B - Cash and Investments (Continued)

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>	<u>12 months or less</u>	<u>13 - 24 months</u>	<u>25-36 months</u>	<u>37 - 48 months</u>	<u>49 - 60 months</u>	<u>More than 60 months</u>
Certificate of Deposit Contra Costa County	\$ 6,960	\$ 6,960	\$ -	\$ -	\$ -	\$ -	\$ -
Treasurer	<u>132,126</u>	<u>132,126</u>	-	-	-	-	-
Total	<u>\$ 139,086</u>	<u>\$ 139,086</u>	<u>\$ -</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>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Not Rated</u>
Certificate of Deposit Contra Costa County	\$ 6,960	N/A	\$ -	\$ -	\$ -	\$ -	\$ 6,960
Treasurer	<u>132,126</u>	<u>N/A</u>	-	-	-	-	<u>132,126</u>
Total	<u>\$ 139,086</u>	<u>N/A</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 139,086</u>

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

June 30, 2023

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, 2023, the District's bank balance was \$30,653,821 and \$500,000 of that amount was insured by the Federal Deposit Insurance Corporation and collateralized as required by state law and the remaining amount of \$30,153,821 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, 2023

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, 2023, 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, 2023:

		Lighting & Landscaping	Lighting & Landscaping			
	<u>General</u>	<u>Zone 8</u>	<u>Zone 9</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Accounts receivable	\$ 27,503	\$ 13,502	\$ 3,376	\$ 666,866	\$ 91,274	\$ 802,521
Allowance for uncollectible	_____ -	_____ -	_____ -	(66,274)	(2,602)	(68,876)
Accounts receivable, net	<u>\$ 27,503</u>	<u>\$ 13,502</u>	<u>\$ 3,376</u>	<u>\$ 600,592</u>	<u>\$ 88,672</u>	<u>\$ 733,645</u>

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

June 30, 2023

Note D - 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, 2023 were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Proprietary Funds		
Water fund	\$ -	\$ 3,108,750
Sewer fund	3,165,443	1,786,335
Financing authority	<u>1,729,642</u>	<u>-</u>
Total interfund transfers	<u>\$ 4,895,085</u>	<u>\$ 4,895,085</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)

The effect of the interfund activity has not been eliminated from the government-wide financial statements as the amounts relate to transfers between business-type activities.

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

June 30, 2023

Note E - Capital Assets

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

	Balance <u>June 30, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	Balance <u>June 30, 2023</u>
Governmental activities					
Nondepreciable capital assets					
Land	\$ 415,930	\$ -	\$ -	\$ -	\$ 415,930
Total nondepreciable capital assets	<u>415,930</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>415,930</u>
Depreciable capital assets					
Equipment	601,215	3,582	-	-	604,797
Buildings and improvements	3,695,869	227,331	-	-	3,923,200
Office furniture and equipment	25,665	-	-	-	25,665
Vehicles	80,133	-	-	-	80,133
Total depreciable capital assets	4,402,882	230,913	-	-	4,633,795
Less accumulated depreciation	<u>(2,516,279)</u>	<u>(209,612)</u>	<u>-</u>	<u>-</u>	<u>(2,725,891)</u>
Net depreciable capital assets	<u>1,886,603</u>	<u>21,301</u>	<u>-</u>	<u>-</u>	<u>1,907,904</u>
Net capital assets	<u>\$ 2,302,533</u>	<u>\$ 21,301</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,323,834</u>
Business-type activities					
Nondepreciable capital assets					
Land	\$ 307,000	\$ 149,896	\$ -	\$ -	\$ 456,896
Construction in progress	<u>9,643,090</u>	<u>7,856,846</u>	<u>-</u>	<u>-</u>	<u>17,499,936</u>
Total nondepreciable capital assets	<u>9,950,090</u>	<u>8,006,742</u>	<u>-</u>	<u>-</u>	<u>17,956,832</u>
Depreciable capital assets					
Buildings and improvements	765,180	7,114	-	-	772,294
Treatment and collection	56,280,864	-	-	-	56,280,864
Structures and improvements	9,035,330	157,801	-	-	9,193,131
Equipment	1,031,007	10,899	-	-	1,041,906
Office equipment	153,009	-	-	-	153,009
Vehicles	<u>467,384</u>	<u>645,521</u>	<u>-</u>	<u>-</u>	<u>1,112,905</u>
Total depreciable capital assets	67,732,774	821,335	-	-	68,554,109
Less accumulated depreciation	<u>(27,315,375)</u>	<u>(2,837,528)</u>	<u>-</u>	<u>-</u>	<u>(30,152,903)</u>
Net depreciable capital assets	<u>40,417,399</u>	<u>(2,016,193)</u>	<u>-</u>	<u>-</u>	<u>38,401,206</u>
Net capital assets	<u>\$ 50,367,489</u>	<u>\$ 5,990,549</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,358,038</u>

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

June 30, 2023

Note E - 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	\$ 183,247
Lighting and landscaping Zone 9	25,082
Community center	<u>1,283</u>
Total depreciation expense - Governmental activities	<u>\$ 209,612</u>

Business-type activities:

Water	\$ 733,646
Sewer	<u>2,103,882</u>
Total depreciation expense - Business-type activities	<u>\$ 2,837,528</u>

Note F - 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 effective interest 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.

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.

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

June 30, 2023

Note F - Long-Term Debt (Continued)

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, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2023</u>	<u>Due within one year</u>
Business-type Activity Debt						
Discovery Bay Public Financing Authority Series 2012 Enterprise Revenue Bonds	\$ 14,150,000	\$ 11,330,000	\$ -	\$ (11,330,000)	\$ -	\$ -
Discovery Bay Public Financing Authority Series 2017 Enterprise Revenue Bonds	8,825,000	8,050,000	-	(200,000)	7,850,000	210,000
Discovery Bay Public Financing Authority Series 2022 Enterprise Revenue Bonds	16,860,000	16,860,000	-	(210,000)	16,650,000	250,000
Discovery Bay Public Financing Authority Series 2022B Enterprise Revenue Refunding Bonds	11,650,000	-	11,650,000	(494,000)	11,156,000	388,000
Unamortized Premiums	<u>2,105,577</u>	<u>1,862,500</u>	<u>-</u>	<u>(286,525)</u>	<u>1,575,975</u>	<u>-</u>
Totals	<u>\$ 53,590,577</u>	<u>\$ 38,102,500</u>	<u>\$ 11,650,000</u>	<u>\$ (12,520,525)</u>	<u>\$ 37,231,975</u>	<u>\$ 848,000</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, 2023

Note F - 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.

The bonds were refinanced during the year ended June 30, 2023 with the issuance of the 2022B enterprise revenue refunding bonds.

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.

2022 Enterprise Revenue Bonds

In May 2022, the Discovery Bay Public Financing Authority issued \$16,860,000 in enterprise revenue bonds Series 2022 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 4.00%-5.00% and are scheduled to mature in fiscal year 2053. Interest is payable semi-annually on December 1st and June 1st each year, while principal installments ranging from \$210,000 to \$1,010,000 are payable each year on December 1st.

2022B Enterprise Revenue Refunding Bonds

In September 2022, the Discovery Bay Public Financing Authority issued \$11,650,000 in enterprise revenue refunding bonds Series 2022B for the purpose of providing funds to enable the District to refinance the acquisition and construction of the 2012 Wastewater Project and the 2012 Water Project.

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

June 30, 2023

Note F - Long-Term Debt (Continued)

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 a coupon interest rate of 3.54% 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 \$494,000 to \$763,000 are payable each year on December 1st.

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

For the year ending June 30,	Business-Type Activities	
	Principal	Interest
2024	\$ 848,000	\$ 1,487,437
2025	886,000	1,450,622
2026	920,000	1,411,377
2027	966,000	1,370,304
2028	1,006,000	1,327,331
2029-2033	4,790,000	6,055,435
2034-2038	5,840,000	4,972,393
2039-2043	7,155,000	3,627,236
2044-2048	8,650,000	2,012,317
2049-2053	4,595,000	577,979
Total	\$ 35,656,000	\$ 24,292,431

Note G - Deferred Compensation Plan and Defined Contribution Plan

Deferred Compensation Plan

The District has established a deferred compensation plan in accordance with Internal Revenue Code Section 457(b), whereby employees may elect to defer portions of their compensation in a self-directed investment plan for retirement. Plan assets are invested in each individual’s name with a deferred compensation plan provider. Distributions are made upon the participant’s termination, retirement, death or total disability, and in a manner in accordance with the election made by the participant. All full-time employees are eligible for plan participation. Employer and employee contributions to the plan for the year ended June 30, 2023 were \$86,365.

(Continued)

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

June 30, 2023

Note G - Deferred Compensation Plan and Defined Contribution Plan (Continued)

The District believes it has no liability for losses under than plan but does have the duty of due care that would be required of an ordinary prudent investor. The District has formally established a trust in accordance with Internal Revenue Code 457(g) for its deferred compensation plan to provide protection from the claims of the employer's general creditors. Accordingly, deferred compensation assets placed in the trust are not reflected in these financial statements.

Deferred Contribution Plan

The District has also established a defined contribution plan in accordance with Internal Revenue Code Section 401(a). The employer will match employee contributions up to a maximum of \$5,000 per plan year. Additional employer contributions may be awarded with approval by the Board of Directors. Plan assets are invested in each individual's name with the defined contribution plan provider.

Distributions are made upon the participant's termination, retirement, death or total disability, and in a manner in accordance with the election made by the participant. Employer contributions to the plan for the year ended June 30, 2023 were \$62,443.

The District believes it has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The District has formally established a trust in accordance with Internal Revenue Code Section 401(f) for its defined contribution plan to provide protection from the claims of the employer's general creditors. Accordingly, defined contribution assets placed in the trust are not reflected in the accompanying financial statements.

Note H - 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, 2023, the District's accrued liability for accumulated unused vacation leave is \$93,109. 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.

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

June 30, 2023

Note I - 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, 2023, 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 2023, 2022, and 2021. 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.

The District is covered by the following types of insurance through the SDRMA as of June 30, 2023:

<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

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

June 30, 2023

Note J - 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, 2023, the members of the District's Board of Directors were as follows:

<u>Director</u>	<u>Term expires</u>
Ashley Porter	December 2026
Michael Callahan	December 2024
Carolyn Graham	December 2024
Kevin Graves	December 2026
Bryon Gutow	December 2026

Note K - 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.

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, 2023

	Lighting and Landscaping Zone 8		
	Budgeted amounts <u>original/final</u>	Actual amounts	Variance with final budget positive/ (negative)
Revenues			
Property taxes	\$ 704,657	\$ 825,059	\$ 120,402
Other	98,000	169,461	71,461
Reimbursements	75,000	45,809	(29,191)
Interest income	-	14,045	14,045
Homeowners property tax relief	<u>-</u>	<u>3,822</u>	<u>3,822</u>
Total revenues	<u>877,657</u>	<u>1,058,196</u>	<u>180,539</u>
Expenditures			
Payroll expenses	449,882	457,534	(7,652)
Utilities	195,840	195,334	506
Repairs and maintenance	104,850	144,033	(39,183)
Other	151,205	114,631	36,574
Insurance	11,000	11,000	-
Professional fees	7,700	5,599	2,101
Capital outlay	<u>510,000</u>	<u>230,913</u>	<u>279,087</u>
Total expenditures	<u>1,430,477</u>	<u>1,159,044</u>	<u>271,433</u>
Net changes in fund balance	(552,820)	(100,848)	451,972
Fund balance, beginning of year	<u>1,728,469</u>	<u>1,728,469</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,175,649</u>	<u>\$ 1,627,621</u>	<u>\$ 451,972</u>

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

Notes to Required Supplementary Information

June 30, 2023

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, 2023. 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 AUDITOR'S REPORT



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

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors
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, 2023, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated March 7, 2024.

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 7, 2024