

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**

**BASIC FINANCIAL STATEMENTS**

**AND**

**REQUIRED SUPPLEMENTARY INFORMATION**

**As of and for the Year Ended June 30, 2018**

## TABLE OF CONTENTS

<b>INDEPENDENT AUDITORS' REPORT</b>	1 - 2
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	3 - 13
<b>BASIC FINANCIAL STATEMENTS:</b>	
Statement of Net Position	14
Statement of Activities and Changes in Net Position	15
Balance Sheet – Governmental Fund	16
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund	17
Statement of Net Position – Proprietary Funds	18
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	19
Statement of Cash Flows – Proprietary Funds	20
Notes to Financial Statements	21 - 33
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
Budgetary Comparison Schedule – Governmental Fund	34

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
Fieldbrook Glendale Community Services District  
McKinleyville, California

We have audited the accompanying financial statements of the governmental activities and the business-type activities of Fieldbrook Glendale Community Services District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements and Reporting Guidelines for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities of Fieldbrook Glendale Community Services District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-13 and 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Hunter, Hunter & Hunt*

December 5, 2018

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis For Fiscal Year Ending June 30, 2018

This section presents management's analysis of the Fieldbrook Glendale Community Services District's (the District) financial condition and activities as of and for the year ended June 30, 2018. Management's Discussion and Analysis (MDA) is intended to serve as an introduction to the District's basic financial statements. This information should be read in conjunction with the audited financial statements that follow this section.

The information in this MDA is presented under the following headings:

- Organization and Business
- Overview of the Financial Statements
- Financial Summary
- Results of Operations
- Capital Assets
- Long-Term Debt and Interfund Loans
- Description of Currently Known Facts or Conditions that may have a Significant Effect on the Financial Position or Results of Operations
- Requests for Additional Information

### **Organization and Business**

The District provides water, sewage collection, and fire protection services. The District contracts with Humboldt Bay Municipal Water District (HBMWD) for the purchase of water for resale, meter reading, general maintenance, regular inspection, billing and collection of funds for the Water and Wastewater Systems. Sewage is collected by the District in the Glendale area and pumped to the City of Arcata for treatment and discharge. The County of Humboldt collects tax revenue for the Fire Department fund.

### **Overview of the Financial Statements**

The District's basic financial statements are comprised of four components: 1) Government-wide financial statements, 2) Governmental fund statements, 3) Proprietary fund financial statements, and 4) Notes to financial statements.

- Government-wide financial statements – provide both long-term and short-term information about the District's overall financial position in a manner similar to a private sector business. The District's government-wide financial statements consist of a *Statement of Net Position and a Statement of Activities and Changes in Net Position*.
- Governmental fund types – The District's governmental fund consists of one general fund which reports revenues, expenditures, assets and liabilities of the Fire Department. The Fire Department is principally supported by tax revenues. The fund is reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statement provides a detailed *short-term* view of the District's operations and services it provides. The District's financial statements contain a *Balance Sheet, Statement of Revenues, Expenditures and changes in Fund Balance and a Budgetary Comparison Schedule*, (see *table of contents*).

- Proprietary Fund types – The District’s proprietary fund consists of two enterprise funds, the Water System and the Wastewater System. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is the costs (including depreciation) of providing goods or services to the general public be financed or recovered primarily through user charges. The District’s financial reports contain a *Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows*.
- Notes to financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

## **Financial Summary**

There may be minor rounding differences between the following tables and the financial statements.

**TABLE 1  
CONDENSED STATEMENT OF NET POSITION  
YEAR OVER YEAR**

	FY 2017-18			FY 2016-17			Change	
	Governmental	Business Type	Total	Governmental	Business Type	Total	\$	%
	(Fire)	(Water/Sewer)		(Fire)	(Water/Sewer)			
Current and other assets	\$ 134,297	\$ 331,814	\$ 466,111	\$ 135,234	\$ 370,538	\$ 505,772	\$ (39,661)	-7.84%
Board designated assets	\$ 46,042	\$ 50,000	\$ 96,042	\$ 30,695	\$ 50,000	\$ 80,695	\$ 15,347	19.02%
Notes Receivable/Payable	\$ (231,255)	\$ 231,255	\$ -	\$ (246,430)	\$ 246,430	\$ -	\$ -	0%
Capital/Fixed assets	\$ 486,194	\$ 2,406,978	\$ 2,893,172	\$ 513,246	\$ 2,501,425	\$ 3,014,671	\$ (121,499)	-4.03%
<b>Total Assets</b>	<b>\$ 435,278</b>	<b>\$ 3,020,047</b>	<b>\$ 3,455,325</b>	<b>\$ 432,745</b>	<b>\$ 3,168,393</b>	<b>\$ 3,601,138</b>	<b>\$ (145,813)</b>	<b>-4.05%</b>
Current and other liabilities	\$ 298	\$ 147,755	\$ 148,053	\$ 680	\$ 117,994	\$ 118,674	\$ 29,379	24.76%
Long term liabilities	\$ -	\$ 519,000	\$ 519,000	\$ -	\$ 547,381	\$ 547,381	\$ (28,381)	-5.18%
<b>Total Liabilities</b>	<b>\$ 298</b>	<b>\$ 666,755</b>	<b>\$ 667,053</b>	<b>\$ 680</b>	<b>\$ 665,375</b>	<b>\$ 666,055</b>	<b>\$ 998</b>	<b>0.15%</b>
Investment in capital assets (net of related debt)	\$ 486,194	\$ 1,859,597	\$ 2,345,791	\$ 513,246	\$ 1,926,407	\$ 2,439,653	\$ (93,862)	-3.85%
Unrestricted	\$ (97,256)	\$ 443,695	\$ 346,439	\$ (111,876)	\$ 526,611	\$ 414,735	\$ (68,296)	-16.47%
Board Assigned	\$ 46,042	\$ 50,000	\$ 96,042	\$ 30,695	\$ 50,000	\$ 80,695	\$ 15,347	19.02%
<b>Net Position</b>	<b>\$ 434,980</b>	<b>\$ 2,353,292</b>	<b>\$ 2,788,272</b>	<b>\$ 432,065</b>	<b>\$ 2,503,018</b>	<b>\$ 2,935,083</b>	<b>\$ (146,811)</b>	<b>-5.00%</b>

The district’s net position for all funds as of June 30, 2018, was \$2,788,272 a decrease of \$146,811 (5.00%) as compared to June 30, 2017. Current and other assets include cash in banks, accounts receivable, grants, other receivables and pre-paid expenses. Current and other assets decreased \$39,661 (7.84%) as compared to June 30, 2017.

Capital and fixed assets represent the largest portion of the district’s assets. These assets include the infrastructure required to provide water, sewer and public safety services. The investments in capital assets include land, buildings, equipment, the sewage collection system and the water distribution system. The value of these investments, except for land, depreciate on a fixed schedule each year, based on what is determined to be their “useful” life at the time of purchase. The district has a total of \$2,893,172 invested in capital assets, net of depreciation.

Current liabilities include accounts payable, customer deposits, interest payable, and the current portion of long-term notes payable. Long-term notes payable is comprised of debt due after one year. The net investment in capital assets is the net of capital assets less the related debt. The board has established a water rate stabilization reserve of \$50,000 to remain compliant with the terms of the installment loan from the California Infrastructure and Economic Development Bank. Also, the board has a reserve of \$46,042 for future fire debt payments.

**TABLE 2**  
**CONDENSED STATEMENTS OF NET POSITION BY FUND**  
**JUNE 30, 2018**

	Water	Sewer	Fire	Total
Current and other assets	\$ 311,187	\$ 20,627	\$ 134,297	\$ 466,111
Capital/Fixed assets	\$ 541,013	\$ 1,865,965	\$ 486,195	\$ 2,893,172
Notes Receivable/Payable	\$ 296,255	\$ (65,000)	\$ (231,255)	\$ -
Board Assigned	\$ 50,000		\$ 46,042	\$ 96,042
Total Assets	\$ 1,198,454	\$ 1,821,592	\$ 435,279	\$ 3,455,325
Current and other liabilities	\$ 121,277	\$ 26,477	\$ 298	\$ 148,051
Long Term Liabilities	\$ 519,000	\$ -		\$ 519,000
Total Liabilities	\$ 640,277	\$ 26,477	\$ 298	\$ 667,052
Investment in capital assets net of related debt	\$ (6,369)	\$ 1,865,965	\$ 486,195	\$ 2,345,791
Unrestricted	\$ 514,546	\$ (70,849)	\$ (97,256)	\$ 346,440
Board Assigned	\$ 50,000		\$ 46,042	\$ 96,042
Total Net Assets	\$ 558,177	\$ 1,795,115	\$ 434,981	\$ 2,788,273

The table above provides a condensed statement of the district's net position by fund. The district has three reporting funds or entities. Revenues, expenses, assets, liabilities, and fund equity are accounted for separately.

**Results of Operations**

**TABLE 3**  
**CONDENSED STATEMENT RESULTS OF OPERATIONS**  
**JUNE 30, 2018**

	Water	Sewer	Fire	Total
Revenues:				
Charges for services	\$ 451,938	\$ 191,124		\$ 643,061
Taxes and assessments			\$ 102,456	\$ 102,456
Unrestricted investment earnings	\$ 13,842	\$ 43	\$ 2,382	\$ 16,267
In Kind/Grant Revenue			\$ 6,353	\$ 6,353
Other Income			\$ 3,372	\$ 3,372
Total Revenues	\$ 465,779	\$ 191,167	\$ 114,563	\$ 771,509
Expenses:				
Water/Sewer services	\$ 398,210	\$ 289,664		\$ 687,874
Public Safety			\$ 66,052	\$ 66,052
Depreciation expenses	\$ 24,979	\$ 93,819	\$ 45,594	\$ 164,392
Total Expenses	\$ 423,189	\$ 383,483	\$ 111,646	\$ 918,317
Result of operations	\$ 42,591	\$ (192,316)	\$ 2,917	\$ (146,808)
Total net assets - beginning	\$ 515,586	\$ 1,987,432	\$ 432,064	\$ 2,935,081
Total net assets - ending	\$ 558,177	\$ 1,795,115	\$ 434,981	\$ 2,788,273

Operating revenues for the district include water and sewer charges, late payment fees, installation and connection fees, taxes, assessments and investment earnings. Total revenues from these activities was \$771,509. In-Kind/Grant Revenue was \$6,353, \$5,500 was received from donations to offset expenses for the purchase of equipment to maintain turnouts and \$853 was received from a CalFire grant to purchase fire entry tools. Operating expenses for water and sewer services was \$687,874. Public safety expenses for the fire department totaled \$66,052. Depreciation expenses totaled \$164,392. As a result of operations the District's total net position decreased \$146,808.



**TABLE 4**  
**RESULTS OF WATER OPERATIONS**  
**YEAR OVER YEAR – 2019 ADOPTED BUDGET**

Water	Column One - Year over Year				Column Two - 2019 Budget compared to 2018 Actuals			
	Actuals 2017-2018	Actuals 2016-2017	\$\$ Change	% Change	Budget 2018-19	Actuals 2017-2018	\$\$ Change	% Change
<b>Revenues</b>								
Water Sales	\$ 417,709	\$ 420,559	\$ (2,851)	-0.7%	\$ 418,913	\$ 417,709	\$ 1,204	0.3%
Special benefit zone	\$ 12,459	\$ 12,259	\$ 200	1.6%	\$ 12,600	\$ 12,459	\$ 141	1.1%
Fee for service	\$ 8,293	\$ 19,596	\$ (11,303)	-57.7%	\$ 6,450	\$ 8,293	\$ (1,843)	-22.2%
Installation/Meter Charge	\$ 3,057	\$ 2,276	\$ 782	34.3%	\$ -	\$ 3,057	\$ (3,057)	-100.0%
Other revenue	\$ 297	\$ 292	\$ 5	1.7%	\$ -	\$ 297	\$ (297)	-100.0%
<b>Total Revenue</b>	<b>\$ 441,815</b>	<b>\$ 454,982</b>	<b>\$ (13,168)</b>	<b>-2.9%</b>	<b>\$ 437,963</b>	<b>\$ 441,815</b>	<b>\$ (3,852)</b>	<b>-0.9%</b>
<b>Expenses</b>								
Purchased water	\$ 141,929	\$ 152,395	\$ (10,466)	-6.9%	\$ 174,066	\$ 141,929	\$ 32,137	22.6%
Director Fees	\$ 2,995	\$ 2,995	\$ -	0.0%	\$ 2,995	\$ 2,995	\$ -	0.0%
Contract Labor	\$ 187,480	\$ 210,152	\$ (22,672)	-10.8%	\$ 209,581	\$ 187,480	\$ 22,101	11.8%
Insurance	\$ 2,686	\$ 2,184	\$ 502	23.0%	\$ 2,873	\$ 2,686	\$ 187	7.0%
Professional services	\$ 4,879	\$ 5,462	\$ (583)	-10.7%	\$ 4,545	\$ 4,879	\$ (334)	-6.8%
Dues & Memberships	\$ 571	\$ 3,727	\$ (3,156)	-84.7%	\$ 545	\$ 571	\$ (26)	-4.6%
Utilities	\$ 12,953	\$ 12,230	\$ 723	5.9%	\$ 13,055	\$ 12,953	\$ 102	0.8%
Property Taxes	\$ 225	\$ 225	\$ -	0.0%	\$ 225	\$ 225	\$ -	0.0%
Supplies	\$ 1,468	\$ 661	\$ 807	122.1%	\$ 900	\$ 1,468	\$ (568)	-38.7%
Maintenance/Line Repairs	\$ 6,154	\$ 2,391	\$ 3,763	157.4%	\$ 6,880	\$ 6,154	\$ 726	11.8%
Bad Debt/Bank fees	\$ 949	\$ 1,051	\$ (102)	-9.7%	\$ 1,806	\$ 949	\$ 857	90.2%
Interest Expense	\$ 15,808	\$ 16,525	\$ (717)	-4.3%	\$ 15,180	\$ 15,808	\$ (628)	-4.0%
Licenses & Fees	\$ 8,504	\$ -	\$ 8,504	100.0%	\$ 3,186	\$ 8,504	\$ (5,318)	-62.5%
Payroll expense	\$ 11,608	\$ 11,283	\$ 325	2.9%	\$ 11,370	\$ 11,608	\$ (238)	-2.1%
<b>Total expense</b>	<b>\$ 398,209</b>	<b>\$ 421,281</b>	<b>\$ (23,072)</b>	<b>-5.5%</b>	<b>\$ 447,207</b>	<b>\$ 398,209</b>	<b>\$ 48,998</b>	<b>12.3%</b>
<b>Results of operations</b>	<b>\$ 43,606</b>	<b>\$ 33,701</b>	<b>\$ 9,905</b>	<b>29.4%</b>	<b>\$ (9,244)</b>	<b>\$ 43,606</b>	<b>\$ (52,850)</b>	<b>-121.2%</b>
<b>Other Income</b>								
Interest Earnings	\$ 13,841	\$ 11,936	\$ 1,905	16.0%	\$ 10,971	\$ 13,841	\$ (2,870)	-20.7%
Connection Fees	\$ 10,123	\$ -	\$ 10,123	0.0%	\$ -	\$ 10,123	\$ (10,123)	0.0%
<b>Total Other Income</b>	<b>\$ 23,964</b>	<b>\$ 11,936</b>	<b>\$ 12,028</b>	<b>100.8%</b>	<b>\$ 10,971</b>	<b>\$ 23,964</b>	<b>\$ (12,993)</b>	<b>-54.2%</b>
<b>Other Expense</b>								
Deprecation	\$ 24,979	\$ 23,085	\$ 1,894	8.2%	\$ 23,085	\$ 24,979	\$ (1,894)	-7.6%
<b>Total Other Expense</b>	<b>\$ 24,979</b>	<b>\$ 23,085</b>	<b>\$ 1,894</b>	<b>8.2%</b>	<b>\$ 23,085</b>	<b>\$ 24,979</b>	<b>\$ (1,894)</b>	<b>-7.6%</b>
<b>Net Other Income/Expense</b>	<b>\$ (1,015)</b>	<b>\$ (11,149)</b>	<b>\$ 10,134</b>	<b>-90.9%</b>	<b>\$ (12,114)</b>	<b>\$ (1,015)</b>	<b>\$ (11,099)</b>	<b>1093.5%</b>
<b>Net Income</b>	<b>\$ 42,591</b>	<b>\$ 22,552</b>	<b>\$ 20,039</b>	<b>-88.9%</b>	<b>\$ (21,358)</b>	<b>\$ 42,591</b>	<b>\$ (63,949)</b>	<b>-150.1%</b>

Table 4, demonstrates the change in year to year operations in column one. Column two is a comparative between the district's adopted budget for the next fiscal year and the audited year actuals.

**Water Revenues**

Total revenues decreased \$13,168. Fees for service in 2017 included engineering expenses for which the district was reimbursed. The district adopted one rate increase in the fiscal year. The rate increase is an annual adjustment based on the fluctuation in the Consumer Price Index. The rate was adopted in January of 2018 for 2.13%. Revenues from business accounts decreased \$8,268 (14.5%). The district has conservatively budgeted a small decrease in revenues for the 2018-2019 fiscal year.

**Water Expenses**

Total Expenses decreased \$23,072 (5.5%). The cost of purchased water decreased \$10,466 (6.9%). Contract labor decreased \$22,672 (10.8%). Contract labor includes engineering services, special studies, and maintenance and operation services provided by the Humboldt Bay Municipal Water District (HBMWD). There was a decrease in engineering services related to a special study conducted in 2017. HBMWD provides for the day-to-day operations of the water district. These contracted services include customer billing, customer inquiry, meter reading, lab tests, maintenance, equipment, office space and administrative oversight. These costs decreased \$12,050. The cost of maintenance and operations is anticipated to increase with inflation. There was one

major repair to the district's distribution system in 2016-17. There were two major repairs in 2017-2018. This accounts for the \$3,763 increase in maintenance/line repair expenses. Licenses and fees increased \$8,504 from the prior year for annexation expenses in the Glendale area.

### Other Revenue

The district collected fees for one new connection.

**TABLE 5  
RESULTS OF SEWER OPERATIONS  
YEAR OVER YEAR – 2019 ADOPTED BUDGET**

Sewer	Column One - Year over Year				Column Two - 2019 Budget compared to 2018 Actuals			
	Actuals 2017-2018	Actuals 2016-2017	\$\$ Change	% Change	Budget 2018-2019	Actuals 2017-2018	\$\$ Change	% Change
<b>Revenues</b>								
Sewer Sales	\$ 185,852	\$ 182,310	\$ 3,541	1.9%	\$ 189,808	\$ 185,852	\$ 3,956	2.1%
Fee for service	\$ 5,272	\$ 10,433	\$ (5,162)	-49.5%	\$ 2,840	\$ 5,272	\$ (2,432)	-46.1%
Other revenue	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	\$ -	0.0%
<b>Total Revenue</b>	<b>\$ 191,123</b>	<b>\$ 192,744</b>	<b>\$ (1,620)</b>	<b>-0.8%</b>	<b>\$ 192,648</b>	<b>\$ 191,123</b>	<b>\$ 1,525</b>	<b>0.8%</b>
<b>Expenses</b>								
Sewer Treatment	\$ 198,239	\$ 198,228	\$ 11	0.0%	\$ 206,521	\$ 198,239	\$ 8,282	4.2%
Contract Labor	\$ 33,670	\$ 40,910	\$ (7,240)	-17.7%	\$ 36,761	\$ 33,670	\$ 3,091	9.2%
Insurance	\$ 2,402	\$ 2,069	\$ 333	16.1%	\$ 2,422	\$ 2,402	\$ 20	0.8%
Professional services	\$ 4,879	\$ 4,937	\$ (58)	-1.2%	\$ 4,545	\$ 4,879	\$ (334)	-6.8%
Dues & Memberships	\$ 571	\$ 541	\$ 30	5.5%	\$ 545	\$ 571	\$ (26)	-4.6%
Utilities	\$ 10,973	\$ 10,837	\$ 136	1.3%	\$ 11,495	\$ 10,973	\$ 522	4.8%
Fuel	\$ -	\$ 320	\$ (320)	0.0%	\$ 350	\$ -	\$ 350	100.0%
Property Taxes	\$ 324	\$ 324	\$ -	0.0%	\$ 324	\$ 324	\$ -	0.0%
Supplies	\$ 934	\$ 667	\$ 267	40.0%	\$ 920	\$ 934	\$ (14)	-1.5%
Maintenance/Line Repairs	\$ 10,824	\$ 569	\$ 10,255	1802.3%	\$ 3,500	\$ 10,824	\$ (7,324)	-67.7%
Bad Debt/Bank fees	\$ 192	\$ 200	\$ (8)	-4.2%	\$ 800	\$ 192	\$ 608	317.6%
Interest Expense	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	\$ -	0.0%
Licenses & Fees	\$ 3,067	\$ 2,342	\$ 725	31.0%	\$ 2,337	\$ 3,067	\$ (730)	-23.8%
Payroll expense	\$ 23,590	\$ 25,484	\$ (1,894)	-7.4%	\$ 22,300	\$ 23,590	\$ (1,290)	-5.5%
<b>Total expense</b>	<b>\$ 289,664</b>	<b>\$ 287,428</b>	<b>\$ 2,236</b>	<b>0.8%</b>	<b>\$ 292,820</b>	<b>\$ 289,664</b>	<b>\$ 3,156</b>	<b>1.1%</b>
<b>Results of operations</b>	<b>\$ (98,540)</b>	<b>\$ (94,684)</b>	<b>\$ (3,856)</b>	<b>4.1%</b>	<b>\$ (100,172)</b>	<b>\$ (98,540)</b>	<b>\$ (1,632)</b>	<b>1.7%</b>
<b>Other Income</b>								
Interest Earnings	\$ 43	\$ 720	\$ (677)	-94.0%	\$ 43	\$ 43	\$ -	0.0%
Connection Fees	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	\$ -	0.0%
<b>Total Other Income</b>	<b>\$ 43</b>	<b>\$ 720</b>	<b>\$ (677)</b>	<b>-94.0%</b>	<b>\$ 43</b>	<b>\$ 43</b>	<b>\$ -</b>	<b>0.0%</b>
<b>Other Expense</b>								
Deprecation	\$ 93,819	\$ 87,380	\$ 6,439	7.4%	\$ 93,819	\$ 93,819	\$ -	0.0%
<b>Total Other Expense</b>	<b>\$ 93,819</b>	<b>\$ 87,380</b>	<b>\$ 6,439</b>	<b>7.4%</b>	<b>\$ 93,819</b>	<b>\$ 93,819</b>	<b>\$ -</b>	<b>0.0%</b>
<b>Net Other Income/Expense</b>	<b>\$ (93,776)</b>	<b>\$ (86,660)</b>	<b>\$ (7,116)</b>	<b>8.2%</b>	<b>\$ (93,776)</b>	<b>\$ (93,776)</b>	<b>\$ -</b>	<b>0.0%</b>
<b>Net Income</b>	<b>\$ (192,316)</b>	<b>\$ (181,344)</b>	<b>\$ (10,972)</b>	<b>6.1%</b>	<b>\$ (193,948)</b>	<b>\$ (192,316)</b>	<b>\$ (1,632)</b>	<b>0.8%</b>

### Revenues

Sewer sales experienced an increase of \$3,541. This small increase was due in part to an annual CPI adjustment of 2.13% adopted in January of 2018. Fee for service decreased \$5,162. In 2017 there was reimbursement income for a special study in the Glendale area.

### Expenses

Sewer expenses increased \$2,236 (0.80%) from the prior year. Effluent treatment costs increased \$11 from the prior year. In 2016 the district conducted an Inflow and Infiltration study. The study identified five areas where storm water was flowing into the collection system. The district authorized a capital expenditure to externally seal these areas. Effluent sent to the City of Arcata decreased 2,000,000 gallons. A sewer rate study was authorized by the board in the spring of 2018. Contract labor includes engineering expenses and contract labor from HBMWD for daily operations. Daily operations include billing, customer inquiry, office space and administrative oversight. Maintenance and meter reading are conducted by the district's Sewer Technicians. The

cost for contract labor decreased \$7,240 (-17.7%). Engineering fees for service accounted for \$5,500 of the decrease.

Utility and other supply expenses remained within an acceptable variance from the prior year. Maintenance and Line repairs increased \$10,255. Maintenance and line repairs include the application of sealants to decrease infiltration.

The District's budget for fiscal year 2018-2019 does not anticipate an operational improvement; however, the budget may be adjusted following the completion of the rate study and potential rate protest hearing. The District board is aware of the projected deficit and is monitoring the sewer budget closely.

**TABLE 6  
RESULTS OF FIRE OPERATIONS YEAR OVER YEAR – 2019 ADOPTED BUDGET**

Fire	Column One - Year over Year				Column Two - 2019 Budget compared to 2018 Actuals			
	Actuals 2017-2018	Actuals 2016-2017	\$\$ Change	% Change	Budget 2018-2019	Actuals 2017-2018	\$\$ Change	% Change
<b>Revenues</b>								
Property Taxes	\$ 60,644	\$ 56,284	\$ 4,360	7.7%	\$ 60,443	\$ 60,644	\$ -	0.0%
Special Benefit Assessment	\$ 41,813	\$ 40,425	\$ 1,388	3.4%	\$ 41,812	\$ 41,813	\$ (1)	0.0%
Other Income	\$ 3,372	\$ 14,488	\$ (11,116)	-76.7%	\$ -	\$ 3,372	\$ (3,372)	-100.0%
<b>Total Revenue</b>	<b>\$ 105,828</b>	<b>\$ 111,197</b>	<b>\$ (5,369)</b>	<b>-4.8%</b>	<b>\$ 102,255</b>	<b>\$ 105,828</b>	<b>\$ (1)</b>	<b>0.0%</b>
<b>Expenses</b>								
Director Fees	\$ 599	\$ 599	\$ -	0.0%	\$ 599	\$ 599	\$ -	0.0%
Benefit Assessment Fee	\$ 113	\$ 368	\$ (255)	-69.3%	\$ 113	\$ 113	\$ -	0.0%
Insurance	\$ 17,014	\$ 15,077	\$ 1,937	12.8%	\$ 17,385	\$ 17,014	\$ 371	2.2%
Professional services	\$ 4,542	\$ 4,543	\$ (1)	0.0%	\$ 4,545	\$ 4,542	\$ 3	0.1%
Dues & Memberships	\$ 3,025	\$ 2,432	\$ 593	24.4%	\$ 2,455	\$ 3,025	\$ (570)	-18.8%
Utilities	\$ 7,476	\$ 6,185	\$ 1,291	20.9%	\$ 7,446	\$ 7,476	\$ (30)	-0.4%
Transportation/travel	\$ 1,021	\$ 1,391	\$ (370)	-26.6%	\$ 1,200	\$ 1,021	\$ 179	14.9%
Supplies	\$ 2,713	\$ 3,674	\$ (961)	-26.2%	\$ 3,180	\$ 2,713	\$ 467	17.2%
Maintenance expenses	\$ 9,744	\$ 6,272	\$ 3,472	55.4%	\$ 7,250	\$ 9,744	\$ (2,494)	-25.6%
Equipment	\$ 3,630	\$ 3,489	\$ 141	4.0%	\$ 2,750	\$ 3,630	\$ (880)	-24.2%
Interest Expense	\$ 10,921	\$ 10,309	\$ 612	5.9%	\$ 10,231	\$ 10,921	\$ (690)	-6.3%
Licenses & Fees	\$ -	\$ 112	\$ (112)	-100.0%	\$ -	\$ -	\$ -	0.0%
Chief's incentive program	\$ 1,912	\$ 2,000	\$ (88)	-4.4%	\$ 2,000	\$ 1,912	\$ 88	4.6%
Fire Grant Expenses	\$ 1,705	\$ -	\$ 1,705	0.0%	\$ -	\$ 1,705	\$ (1,705)	0.0%
Payroll Expenses	\$ 1,638	\$ 5,660	\$ (4,022)	-71.1%	\$ 1,620	\$ 1,638	\$ (18)	-1.1%
<b>Total expense</b>	<b>\$ 66,052</b>	<b>\$ 62,111</b>	<b>\$ 3,941</b>	<b>6.3%</b>	<b>\$ 60,774</b>	<b>\$ 66,052</b>	<b>\$ (5,278)</b>	<b>-8.0%</b>
<b>Results of operations</b>	<b>\$ 39,777</b>	<b>\$ 49,086</b>	<b>\$ (9,309)</b>	<b>-19.0%</b>	<b>\$ 41,481</b>	<b>\$ 39,777</b>	<b>\$ 1,704</b>	<b>4.3%</b>
<b>Other Income</b>								
Interest Earnings	\$ 2,382	\$ 1,598	\$ 784	49.1%	\$ 1,791	\$ 2,382	\$ (591)	-24.8%
Grant/Donation Revenues	\$ 6,353	\$ 12,850	\$ (6,498)	-102.3%	\$ -	\$ 6,353	\$ (6,353)	-100.0%
<b>Total Other Income</b>	<b>\$ 8,735</b>	<b>\$ 14,448</b>	<b>\$ (5,713)</b>	<b>-39.5%</b>	<b>\$ 1,791</b>	<b>\$ 8,735</b>	<b>\$ (6,944)</b>	<b>-79.5%</b>
<b>Other Expense</b>								
Deprecation	\$ 45,594	\$ 45,609	\$ (15)	0.0%	\$ 45,594	\$ 45,594	\$ -	0.0%
<b>Total Other Expense</b>	<b>\$ 45,594</b>	<b>\$ 45,609</b>	<b>\$ (15)</b>	<b>0.0%</b>	<b>\$ 45,594</b>	<b>\$ 45,594</b>	<b>\$ -</b>	<b>0.0%</b>
<b>Net Other Income/Expense</b>	<b>\$ (36,859)</b>	<b>\$ (31,161)</b>	<b>\$ (5,698)</b>	<b>18.3%</b>	<b>\$ (43,803)</b>	<b>\$ (36,859)</b>	<b>\$ (6,944)</b>	<b>18.8%</b>
<b>Net Income</b>	<b>\$ 2,917</b>	<b>\$ 17,925</b>	<b>\$ (15,008)</b>	<b>-83.7%</b>	<b>\$ (2,322)</b>	<b>\$ 2,917</b>	<b>\$ (5,239)</b>	<b>-179.6%</b>

**Revenues**

Revenues for the department decreased \$5,369 (-4.8%). In 2015 the District initiated an annexation process to incorporate parcels historically served by the District. The annexation was approved by LAFCo and became effective in 2016. Fiscal Year 2017-2018 became the first-year taxes and special benefit assessments were collected by the department for the annexed parcels. Other income decreased \$11,116 as a result of lower revenues from Cal-Fire mutual aid responses.

**Expenses**

Expenses for the department increased \$3,941 (6.3%). Major variances include increased insurance expenses, dues and memberships, utilities, maintenance, equipment, interest and fire

grant expenses. These were offset by decreased expenses for benefit assessment fees, transportation, supplies, licenses, and payroll expenses.

### **Other Income**

There was an improvement in interest earnings for deposits held with the County of Humboldt. There was a decrease in grant revenue and in-kind revenue from the prior year of \$6,498.

### **Additional Budgetary Information**

Additional budgetary information for the fire department can be found on page 34 of the Required Supplementary Information section in the audited financial statements. An analysis of significant variations between original and final budget amounts and between final budget amounts and actual budget results for the governmental fund (fire) is required, including reasons for those variations that are expected to have a significant effect on future services or liquidity.

The General Manager submits a proposed operating budget for the governmental fund (fire) for the fiscal year commencing on July 1 to the District's Board of Directors. Public hearings are conducted to obtain taxpayer and ratepayer comments. A preliminary budget is legally adopted in June and a final budget is legally adopted in August, following the closing of the prior period.

The budget is prepared on a detailed line item basis. Management does not budget for capital purchases but considers and approves capital purchases separately from the budget process. Revenues are budgeted by source per the California Government Code Section 61110, as amended by Senate Bill 135. The budget is reviewed and updated on a quarterly basis by the Board of Directors.

General Revenues are taxes that are collected for the District by the County of Humboldt. In the 2015-2016 fiscal year the District completed an annexation effort. The full fiscal benefit to the District was unknown at the time the 2017-2018 budget was developed. There was an increase in General Revenues from the original budget to the actual budget of \$5,747. The amount of this increase is likely to continue. Unrestricted Investment Earnings were better because of higher ending fund balances and improved interest rates. Other revenues and In-Kind Revenues are not included in the original budget unless an award letter or an invoice for services was pending. During the fiscal year the District received a refund from the Humboldt County Fire Chiefs Association for estimated fees for a communication project. The refund totaled \$1,899.

Grant expenses were not known at the time of budget development. Capital purchases are approved separately from the budget process. The District develops an annual expenditure plan for purchases or improvements that are valued above \$5,000 and have a life expectancy of five-years or more. These expenditures are added to assets and expensed as depreciation over the anticipated life of the asset.

### **Changes in Net Position as a result of operations year over year**

The purpose of tables seven, eight and nine is to provide the change in net position from the prior year as a result of operations. The table also includes information for the 2015-2016 year. This information can help identify trends of assets and liabilities over a three-year period.

**TABLE 7  
CHANGES IN NET POSITION AS A RESULT OF WATER OPERATIONS  
YEAR OVER YEAR**

<b>Water Fund</b>	2015-2016	2016-2017	2017-2018	Increase/Decrease from prior year
Current and Other Assets	\$ 612,579	\$ 617,930	\$ 657,441	\$ 39,511
Capital and Fixed Assets	\$ 547,767	\$ 541,641	\$ 541,013	\$ (629)
Current and other Liabilities	\$ 92,292	\$ 96,604	\$ 121,277	\$ 24,673
Long Term Liabilities	\$ 575,018	\$ 547,381	\$ 519,000	\$ (28,381)
Total Net Assets	\$ 493,036	\$ 515,586	\$ 558,177	\$ 42,591
Net Assets - Beginning	\$ 498,999	\$ 493,034	\$ 515,585	\$ 22,551
Operating Revenues	\$ 418,140	\$ 466,918	\$ 465,779	\$ (1,139)
Operating Expenses	\$ 401,525	\$ 421,281	\$ 398,210	\$ (23,071)
Net Operating Income	\$ 16,614	\$ 45,637	\$ 67,570	\$ 21,932
Depreciation Expenses	\$ 22,577	\$ 23,085	\$ 24,979	\$ 1,894
Change in Net Assets	\$ (5,963)	\$ 22,552	\$ 42,591	\$ 20,038
Net Assets - Ending	\$ 493,034	\$ 515,585	\$ 558,175	\$ 42,590

The water fund's net assets increased \$42,590 over the prior year and \$65,141 over the 2015-2016 year. The reduction of long-term debt accounts for a significant portion of this change. Operating revenues have decreased slightly from the prior year but have improved from the base year of 2015-2016. This improvement was from rate adjustments, investing activities, and water connection fees. Expenses decreased for maintenance and operations. Engineering fees for special studies also decreased. These account for a significant percentage of the change in operating expenses.

**TABLE 8  
CHANGES IN NET POSITION AS A RESULT OF SEWER OPERATIONS  
YEAR OVER YEAR**

<b>Sewer Fund</b>	2015-2016	2016-2017	2017-2018	Increase/Decrease from prior year
Current and Other Assets	\$ 190,551	\$ 49,038	\$ 20,627	\$ (28,410)
Capital and Fixed Assets	\$ 1,993,941	\$ 1,959,784	\$ 1,865,965	\$ (93,819)
Current and other Liabilities	\$ 15,716	\$ 21,390	\$ 26,477	\$ 5,087
Long Term Liabilities	\$ -	\$ -	\$ 65,000	\$ 65,000
Total Net Assets	\$ 2,168,776	\$ 1,987,432	\$ 1,795,115	\$ (192,316)
Net Assets - Beginning	\$ 2,288,609	\$ 2,168,776	\$ 1,987,432	\$ (181,344)
Operating Revenues	\$ 185,332	\$ 193,464	\$ 191,167	\$ (2,297)
Operating Expenses	\$ 218,947	\$ 287,428	\$ 289,664	\$ 2,237
Net Operating Income	\$ (33,615)	\$ (93,964)	\$ (98,497)	\$ (4,533)
Depreciation Expenses	\$ 86,219	\$ 87,380	\$ 93,819	\$ 6,439
Change in Net Assets	\$ (119,834)	\$ (181,344)	\$ (192,316)	\$ (10,972)
Net Assets - Ending	\$ 2,168,776	\$ 1,987,432	\$ 1,795,115	\$ (192,316)

The sewer fund's net assets decreased \$192,316 from the prior year and \$373,661 from the 2015-2016 fiscal year. Unfunded depreciation has historically been a challenge for the sewer fund; however, operational losses in current and prior fiscal years were significant. Increased treatment expenses accounted for most of the losses experienced in these years. Capital improvements were completed in June of 2017 to address identified areas of infiltration and a new in-line flow meter was installed. These investments have reduced the amount of effluent sent to the City of Arcata for treatment; however, the City of Arcata implemented a rate increase. The cost of treatment was equal to the prior year despite the reduction in flow. A rate study was initiated in April of 2018.

The board is aware that depreciation will continue to be underfunded and the position of net assets will decrease accordingly.

**TABLE 9  
CHANGES IN NET POSITION AS A RESULT OF FIRE OPERATIONS  
YEAR OVER YEAR**

Fire Fund	2015-2016	2016-2017	2017-2018	Increase/Decrease from prior year
Current and Other Assets	\$ 133,417	\$ 165,929	\$ 180,339	\$ 14,410
Capital and Fixed Assets	\$ 550,965	\$ 513,246	\$ 486,195	\$ (27,050)
Current and other Liabilities	\$ 8,785	\$ 680	\$ 298	\$ (382)
Long Term Liabilities	\$ 261,460	\$ 246,430	\$ 231,255	\$ (15,175)
Total Net Assets	\$ 414,138	\$ 432,064	\$ 434,981	\$ 2,917
Net Assets - Beginning	\$ 348,713	\$ 414,138	\$ 432,064	\$ 17,925
Operating Revenues	\$ 166,085	\$ 125,645	\$ 114,563	\$ (11,082)
Operating Expenses	\$ 57,842	\$ 62,111	\$ 66,052	\$ 3,941
Net Operating Income	\$ 108,244	\$ 63,534	\$ 48,511	\$ (15,024)
Depreciation Expenses	\$ 42,818	\$ 45,609	\$ 45,594	\$ (15)
Change in Net Assets	\$ 65,426	\$ 17,925	\$ 2,917	\$ (15,009)
Net Assets - Ending	\$ 414,138	\$ 432,064	\$ 434,981	\$ 2,917

The fire fund's net assets increased \$2,917 from the prior year and \$20,843 from the 2015-2016 fiscal year. The voters approved an increase in the special benefit assessment in 2014. The assessment increased from \$42 per parcel to \$75 per parcel effective for the 2014-2015 fiscal year. Subsequently the tax roll was not adjusted to include the increase. The special benefit tax was adjusted for the 2015-2016 year to \$108 per parcel to collect the variance. This accounts for the decreased revenues and change in the net assets in 2016-2017. There was less revenue from mutual aid calls in 2017-2018 and operating expenses increased slightly from the prior year.

**TABLE 10  
CAPITAL ASSETS PROPERTY & EQUIPMENT**

	FY 2016-2017	FY 2017-2018	Difference
<b>Water</b>			
Land	\$ 6,461	\$ 6,461	\$0
Water System Infrastructure	\$ 1,836,513	\$ 1,860,863	\$24,350
<b>Sewer</b>			
Land	\$ 20,860	\$ 20,860	\$0
Sewer System Infrastructure	\$ 3,984,151	\$ 3,984,151	(\$0)
<b>Fire</b>			
Land	\$ 5,106	\$ 5,106	\$0
Buildings	\$ 359,674	\$ 359,674	\$0
Equipment - Trucks, Clothing, Radios, Tools	\$ 728,375	\$ 735,569	\$7,194
<b>Total Property &amp; Equipment</b>	<b>\$ 6,941,140</b>	<b>\$ 6,972,683</b>	<b>\$31,543</b>
Less Accumulated Depreciation	\$ (3,926,468)	\$ (4,079,511)	(\$153,043)
<b>Total Property &amp; Equipment (net of depreciation)</b>	<b>\$ 3,014,672</b>	<b>\$ 2,893,172</b>	<b>(\$121,500)</b>

**Capital Assets**

The District had \$2.89 million (net of accumulated depreciation) invested in a broad range of utility capital assets as of June 30, 2018. The investment in capital assets includes land, buildings, improvements, water transmission, water storage facilities, pump stations, wastewater

transmission, and emergency trucks and equipment. The District’s net revenue, long-term debt, and contributions from customers are used to finance capital investments.

**TABLE 11  
LONG-TERM DEBT – NET OF CURRENT PORTION**

	FY 2016-2017	FY 2017-2018	Difference
<b>Water</b>			
L/T Davis Grunsky Loan	\$ 300,974	\$ 284,699	(\$16,275)
L/T Davis Grunsky Deferred Interest	\$ 51,553	\$ 48,325	(\$3,228)
L/T I-Bank	\$ 194,854	\$ 185,976	(\$8,878)
<b>Total L/T Notes - Water</b>	<b>\$ 547,381</b>	<b>\$ 519,000</b>	<b>(\$28,381)</b>
<b>Fire</b>			
L/T Fire to Water - Firehouse Expansion	\$ 139,717	\$ 133,592	(\$6,125)
L/T Fire to Water - Truck	\$ 91,538	\$ 81,797	(\$9,741)
<b>Total L/T Notes - Fire</b>	<b>\$ 231,255</b>	<b>\$ 215,389</b>	<b>(\$15,866)</b>
<b>Total L/T Notes Payable</b>	<b>\$ 778,636</b>	<b>\$ 734,389</b>	<b>\$ (44,247)</b>

**Long-Term Debt and Interfund Loans**

Construction of the water system was financed in part by a \$675,000 loan from the State of California under the Davis–Grunsky Act. Interest at 2.5% per annum was payable semi-annually, but was deferred in accordance with the provision of the loan. The loan matures January 1, 2034.

Installation of an Aluminum Dome Roof on the District’s Anker Lane redwood water reservoir was financed by a \$254,457 loan from the California Infrastructure and Economic Development Bank (I-Bank). Interest at 4.07% per annum is due semi-annually with the first payment due February 1, 2010. Principal amounts are due annually, beginning August 1, 2010, with the loan maturing on August 1, 2034. I-Bank initiated a refinancing of the loan due to lower interest rates. The loan was refinanced March 1, 2014 with an interest rate of 3.82%.

Major renovation of the existing fire house and grounds, including a new four engine bay occurred in fiscal year 2013-2014. The district financed the \$307,400 expansion utilizing \$125,000 from the fire department ending fund balance. The balance of \$182,400 was financed with an inter-fund loan from the water department. Interest is payable at 4.50% per annum with annual interest rate reviews. Principal and interest are due semi-annually beginning December 31, 2014 with the loan maturing on June 30, 2024. In January 2016 the board refinanced the loan by extending the term of the loan. The loan now matures on June 30, 2034.

The district authorized the purchase of a water tender in January 2016. The district financed the \$122,735 purchase by utilizing \$12,735 from the fire department ending fund balance. The balance of \$110,000 was financed with an inter-fund loan from the water department. Interest is payable at 4.50% per annum with annual interest rate reviews. Principal and interest are due semi-annually beginning December 31, 2016 with the loan maturing on June 30, 2026.

Both of the fire department loans extend beyond the special benefit tax assessment which expires in fiscal year 2024-2025. The board further resolved to annually designate a portion of the fire departments ending fund balance to establish a reserve account for future debt payments should a future tax assessment not be pursued or successful.

**Description of Currently known Facts or Conditions that may have a Significant Effect on the Financial Position or Results of Operations**

In April 2018 the board approved the preparation of a sewer rate study. The board met in regular session over the summer and provided comments and direction for the study. An informational meeting was held in the Glendale area in September. A rate protest hearing to approve a rate increase has been scheduled for November 13, 2018. If approved, the rate increase will provide revenues equal to the cost of operations and approximately 33% of depreciation expenses. The rate increase also includes language that allows the pass-through of increased treatment costs from the City of Arcata. The annual adjustment would be valid for a period of five-years.

In June of 2018 a temporary loan was made from the water fund to the sewer fund. The amount of the temporary loan was \$65,000. The loan was made to maintain a positive cash balance in the sewer fund. The board will determine a repayment plan following the outcome of the November 13, 2018 protest hearing. The current portion of the loan is \$12,000. The repayment plan will be considered by the board in January of 2019.

There are no other currently known facts or conditions that may have a significant effect on the financial position or results of operations of the district.

**Requests for Additional Information**

The management discussion and analysis (MDA) report is designed to provide a general overview of the Fieldbrook Glendale Community Services District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the President of the Board, Fieldbrook Glendale Community Services District, P.O. Box 2715, McKinleyville CA 95519.



## **BASIC FINANCIAL STATEMENTS**

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF NET POSITION**  
**June 30, 2018**

	Governmental Activities	Business-Type Activities	Totals
<b>Assets</b>			
Current Assets:			
Cash in Checking	\$ -	\$ 25,997	\$ 25,997
Cash in Savings	14,020	187,580	201,600
Cash in LAIF	-	57,581	57,581
Cash in County Treasury	118,189	-	118,189
Accounts Receivable - Net	-	57,972	57,972
Interest Receivable	525	753	1,278
Prepaid Expenses	1,563	-	1,563
Total Current Assets	<u>134,297</u>	<u>329,883</u>	<u>464,180</u>
Capital Assets:			
Land	5,106	6,351	11,457
Rights-of-Way	-	20,970	20,970
Sewage Collection System	-	3,983,645	3,983,645
Building and Equipment	1,095,242	34,245	1,129,487
Water Distribution System	-	1,827,124	1,827,124
Less Accumulated Depreciation	<u>(614,154)</u>	<u>(3,465,357)</u>	<u>(4,079,511)</u>
Capital Assets Net of Accumulated Depreciation	<u>486,194</u>	<u>2,406,978</u>	<u>2,893,172</u>
Other Assets			
Interfund Loans Receivable/(Payable)	(231,255)	231,255	-
Board Designated Cash - Fire Debt Service and Water Rate Stabilization Reserves	46,042	50,000	96,042
Other Non-Current Assets	-	1,931	1,931
Total Other Assets	<u>(185,213)</u>	<u>283,186</u>	<u>97,973</u>
 Total Assets	 <u>435,278</u>	 <u>3,020,047</u>	 <u>3,455,325</u>
<b>Liabilities</b>			
Current Liabilities:			
Accounts Payable	298	111,113	111,411
Accrued Payroll	-	1,254	1,254
Customer Deposits	-	3,968	3,968
Interest Payable	-	3,039	3,039
Current Portion of Notes Payable	-	25,153	25,153
Current Portion of Deferred Interest	-	3,228	3,228
Total Current Liabilities	<u>298</u>	<u>147,755</u>	<u>148,053</u>
Non-Current Liabilities:			
Notes Payable, Net of Current Portion	-	470,675	470,675
Deferred Interest Payable, Net of Current Portion	-	48,325	48,325
Total Non-Current Liabilities	<u>-</u>	<u>519,000</u>	<u>519,000</u>
Total Liabilities	<u>298</u>	<u>666,755</u>	<u>667,053</u>
<b>Net Position</b>			
Net investment in Capital Assets	486,194	1,859,597	2,345,791
Unrestricted	<u>(51,214)</u>	<u>493,695</u>	<u>442,481</u>
Total Net Position	<u>\$ 434,980</u>	<u>\$ 2,353,292</u>	<u>\$ 2,788,272</u>

See accompanying notes.

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION**  
**For the Year Ended June 30, 2018**

	Program Revenues		Net (Expense) Revenue			
		Charges	Capital Grants	Governmental	Business-Type	
	Expenses	For Services	And Contributions	Activities	Activities	Totals
Functions/Programs:						
Governmental Activities:						
Fire Protection	\$ 111,645	\$ -	\$ 6,353	\$ (105,292)	\$ -	\$ (105,292)
Total Governmental Activities	111,645	-	6,353	(105,292)	-	(105,292)
Business-Type Activities:						
Water	422,271	450,722	-	-	28,451	28,451
Sewer	383,292	189,000	-	-	(194,292)	(194,292)
Total Business-Type Activities	805,563	639,722	-	-	(165,841)	(165,841)
Total	\$ 917,208	\$ 639,722	\$ 6,353	\$ (105,292)	\$ (165,841)	\$ (271,133)
Change in Net Position:						
Net (Expense) Revenue				\$ (105,292)	\$ (165,841)	\$ (271,133)
General Revenues:						
Taxes:						
Current Secured Taxes				54,094	-	54,094
Current Unsecured Taxes				2,862	-	2,862
Prior Year Taxes				1,658	-	1,658
Timber Yield Tax				217	-	217
Proposition 172 Revenue				1,091	-	1,091
Homeowners' Exemptions				722	-	722
Property Tax Assessments				41,813	-	41,813
Miscellaneous Income				3,372	2,229	5,601
Unrestricted Investment Earnings				2,382	13,885	16,267
Total Revenues				108,211	16,114	124,325
Change in Net Position				2,919	(149,727)	(146,808)
Net Position - Beginning of Year				432,061	2,503,019	2,935,080
Net Position - End of Year				\$ 434,980	\$ 2,353,292	\$ 2,788,272

See accompanying notes.

**FLDDBROOK GLENDALD COMMUNITY SERVICES DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUND**  
**June 30, 2018**

<b>Assets</b>	
Cash in Savings	\$ 14,020
Cash in County Treasury	164,231
Interest Receivable	525
Prepaid Expenses	<u>1,563</u>
Total Assets	<u><u>\$ 180,339</u></u>
 <b>Liabilities and Fund Balance</b>	
Liabilities:	
Accounts Payable	\$ 298
Interfund Loans Payable	<u>231,255</u>
Total Liabilities	231,553
 Fund Balance - Unassigned	 <u>(51,214)</u>
Total Liabilities and Fund Balance	<u><u>\$ 180,339</u></u>
Total Fund Balance - Government Fund	\$ (51,214)
 Amounts reported for governmental activities in the Statement of Net Position are different because capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The total capital assets, net of accumulated depreciation, are:	
	<u>486,194</u>
Net Position - Governmental Activities	<u><u>\$ 434,980</u></u>

See accompanying notes.

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND  
For the Year Ended June 30, 2018**

**Revenues**

General Revenues:	
Current Secured Taxes	\$ 54,094
Current Unsecured Taxes	2,862
Prior Year Taxes	1,658
Timber Yield Tax	217
Proposition 172 Revenue	1,091
Homeowners' Exemptions	722
Property Tax Assessments	41,813
	<hr/>
Total General Revenues	102,457
Grants and Contributions	6,353
Miscellaneous Income	3,372
Unrestricted Investment Earnings	2,382
	<hr/>
Total Revenues	114,564

**Expenditures**

Fire Protection:	
Current	
Chief's Expenses	599
Insurance	17,013
Professional Services	4,542
Dues and Memberships	3,024
Utilities	7,477
Transportation and Travel	1,021
Supplies	2,711
Maintenance	9,745
Equipment and Small Tools	3,630
Benefit Assessment Collection Fee	113
Chief's Incentive Program	1,912
Payroll	1,638
Grant Match Expense	1,705
Capital Outlay	18,542
Interest on Interfund Loan	10,921
	<hr/>
Total Fire Protection Expenditures	84,593
Excess of Expenditures over Revenues	29,971
Fund Balance, Beginning of Year	<u>(81,185)</u>
Fund Balance, End of Year	<u>\$ (51,214)</u>

Net Change in Fund Balance - Governmental Fund \$ 29,971

Amounts reported for governmental activities in the Statement of Activities are different because:

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds. These expenses include:

    Depreciation (45,594)

Governmental funds report capital outlays as expenditures since they require the use of current financial resources. Capital outlays for the current period were:

18,542

Change in Net Position - Governmental Activities \$ 2,919

See accompanying notes.

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2018**

	Water Fund	Sewer Fund	Total
<b>Assets</b>			
Current Assets:			
Cash in Checking	\$ 25,997	\$ -	\$ 25,997
Cash in Savings	187,121	459	187,580
Cash in LAIF	56,671	910	57,581
Accounts Receivable - Net	40,648	17,324	57,972
Interest Receivable	750	3	753
Total Current Assets	<u>311,187</u>	<u>18,696</u>	<u>329,883</u>
Capital Assets:			
Land	6,351	-	6,351
Rights-of-Way	110	20,860	20,970
Sewage Collection System	-	3,983,645	3,983,645
Buildings and Equipment	33,739	506	34,245
Water Distribution System	1,827,124	-	1,827,124
Less Accumulated Depreciation	<u>(1,326,311)</u>	<u>(2,139,046)</u>	<u>(3,465,357)</u>
Capital Assets, Net of Accumulated Depreciation	<u>541,013</u>	<u>1,865,965</u>	<u>2,406,978</u>
Other Assets			
Interfund Loans Receivable	231,255	-	231,255
Board Designated Cash - Water Rate			
Stabilization Reserve	50,000	-	50,000
Advances to Other Funds	65,000	-	65,000
Other Non-Current Assets	-	1,931	1,931
Total Other Assets	<u>346,255</u>	<u>1,931</u>	<u>348,186</u>
Total Assets	<u>1,198,455</u>	<u>1,886,592</u>	<u>3,085,047</u>
<b>Liabilities</b>			
Current Liabilities:			
Accounts Payable	85,871	25,242	111,113
Accrued Payroll	1,254	-	1,254
Customer Deposits	2,734	1,234	3,968
Interest Payable	3,039	-	3,039
Current Portion of Notes Payable	25,153	-	25,153
Current Portion of Deferred Interest Payable	3,228	-	3,228
Total Current Liabilities	<u>121,279</u>	<u>26,476</u>	<u>147,755</u>
Non-Current Liabilities:			
Notes Payable, Net of Current Portion	470,675	-	470,675
Advances from Other Funds	-	65,000	65,000
Deferred Interest Payable, Net of Current Portion	48,325	-	48,325
Total Non-Current Liabilities	<u>519,000</u>	<u>65,000</u>	<u>584,000</u>
Total Liabilities	<u>640,279</u>	<u>91,476</u>	<u>731,755</u>
<b>Net Position</b>			
Net Investment in Capital Assets	(6,368)	1,865,965	1,859,597
Unrestricted	564,544	(70,849)	493,695
Total Net Position	<u>\$ 558,176</u>	<u>\$ 1,795,116</u>	<u>\$ 2,353,292</u>

See accompanying notes.

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2018**

	Water Fund	Sewer Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
Operating Revenues:			
Water Sales and Sewer Charges	\$ 430,167	\$ 185,852	\$ 616,019
Late Fees	7,158	2,740	9,898
Installation and Permit Fees	14,315	600	14,915
Adjustments and Bad Debts	(918)	(192)	(1,110)
Total Operating Revenues	<u>450,722</u>	<u>189,000</u>	<u>639,722</u>
Operating Expenses:			
Purchased Water and Sewer Service	141,929	198,239	340,168
Directors' Fees	2,995	-	2,995
Contract Labor and Administration	187,480	33,670	221,150
Insurance	2,687	2,402	5,089
Professional Services	4,880	4,878	9,758
Dues and Memberships	571	571	1,142
Utilities	12,953	10,974	23,927
Depreciation	24,979	93,819	118,798
Property Taxes	225	324	549
Supplies	927	933	1,860
Maintenance	6,154	10,825	16,979
Equipment	539	-	539
Bank Charges	31	-	31
Miscellaneous	8,504	3,067	11,571
Payroll	11,609	23,590	35,199
Total Operating Expenses	<u>406,463</u>	<u>383,292</u>	<u>789,755</u>
Operating Income (Loss)	44,259	(194,292)	(150,033)
Non-operating Revenues (Expenses):			
Miscellaneous Revenue	297	1,932	2,229
Interest Revenue	13,842	43	13,885
Interest Expense	(15,808)	-	(15,808)
Changes in Net Position	42,590	(192,317)	(149,727)
Net Position - Beginning of Year	<u>515,586</u>	<u>1,987,433</u>	<u>2,503,019</u>
Net Position - End of Year	<u>\$ 558,176</u>	<u>\$ 1,795,116</u>	<u>\$ 2,353,292</u>

See accompanying notes.

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2018**

	Water Fund	Sewer Fund	Total
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$ 458,200	\$ 192,348	\$ 650,548
Cash Paid for Operating Expenses	(345,196)	(261,049)	(606,245)
Cash Paid to Employees for Services	(12,682)	(23,590)	(36,272)
Net Cash Provided (Used) by Operating Activities	<u>100,322</u>	<u>(92,291)</u>	<u>8,031</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Interfund Loan from Water Fund	-	65,000	65,000
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>65,000</u>	<u>65,000</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Equipment Purchases	(24,350)	-	(24,350)
Principal Payments on Notes Payable	(24,409)	-	(24,409)
Interest Payments on Notes Payable	(19,169)	-	(19,169)
Net Cash Provided (Used) in Capital and Related Financing Activities	<u>(67,928)</u>	<u>-</u>	<u>(67,928)</u>
<b>Cash Flows from Investing Activities:</b>			
Interest Received	13,529	129	13,658
Interfund Loan to Sewer Fund	(65,000)	-	(65,000)
Principal payments on Interfund Loan to Fire Fund	15,175	-	15,175
Net Cash Provided (Used) by Investing Activities	<u>(36,296)</u>	<u>129</u>	<u>(36,167)</u>
Increase (Decrease) in Cash and Cash Equivalents	(3,902)	(27,162)	(31,064)
Cash, Beginning of Year	<u>323,691</u>	<u>28,531</u>	<u>352,222</u>
Cash, End of Year (Note 2)	<u>\$ 319,789</u>	<u>\$ 1,369</u>	<u>\$ 321,158</u>
<b>Operating Income (Loss)</b>			
Operating Income (Loss)	\$ 44,259	\$ (194,292)	\$ (150,033)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows Provided by Operating Activities:</b>			
Depreciation	24,979	93,819	118,798
Miscellaneous Income	297	1,932	2,229
<b>Change in Assets and Liabilities:</b>			
Accounts Receivable	6,725	1,163	7,888
Accounts Payable	24,821	4,834	29,655
Accrued Payroll	(1,215)	-	(1,215)
Customer Deposits	456	253	709
Net Cash Flows Provided (used) by Operating Activities	<u>\$ 100,322</u>	<u>\$ (92,291)</u>	<u>\$ 8,031</u>

See accompanying notes.



**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Fieldbrook Glendale Community Services District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (US GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

This summary of significant accounting policies of the District is presented to assist in understanding the financial statements. The financial statements and notes are representations of management, who is responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the financial statements.

**Reporting Entity**

There are several other governmental agencies that provide services within the District's boundaries, including the Fieldbrook School District and County of Humboldt. These other entities have independently elected boards and no elements of oversight responsibility to the District. Consequently, financial information for these agencies is not included in the basic financial statements of the District.

**Nature of Activities**

The District operates a water utility, sewage collection system, and a fire protection facility in the Fieldbrook and Glendale area, County of Humboldt, State of California. The County of Humboldt collects tax revenue for the fire fund. The District has contracts with Humboldt Bay Municipal Water District (HBMWD) for the purchase of water for resale, meter reading, billing, and collection of funds, and with the City of Arcata for wastewater processing. The District's highest level of decision-making authority is its elected Board of Directors.

**Basis of Presentation**

Government-Wide Financial Statements

The statement of net position and statement of activities and changes in net position display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for services.

The statement of activities demonstrates the degree to which the direct expenses of given functions or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The District does not allocate indirect expenses to functions in the statement of activities and changes in net position. Program revenues include charges to customers who purchase, use, or directly benefit from services provided by a given function, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as general revenues.

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

Fund Financial Statements

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 which constitute its assets, liabilities, net position/fund equity, revenues, and expenditures/expenses.

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

The District reports the following major funds:

Governmental Fund

General Fund - The General Fund, also referred to as the Fire Fund, is the general operating fund of the District. It is used to account for all financial resources except those required to be in another fund. Fire Department operations are accounted for in the General Fund.

Enterprise Funds

Sewer Utility Fund - The Sewer Utility Fund accounts for the operations of the sewer system.

Water Utility Fund - The Water Utility Fund accounts for the operations of the water system.

**Measurement Focus/Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to the timing of the recognition of revenues and expenditures in the accounts and their reporting in the financial statements.

Government-Wide Financial Statements

The government-wide statement of net position and statement of activities and changes in net position are reported using the economic resources measurement focus and 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.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first when there is an expenditure for which restricted resources are available.

Fund Financial Statements

The governmental fund types use a current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Their revenues are recognized when susceptible to accrual, i.e., when they become measurable and available. Measurable means the amount can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable.

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

When committed, assigned, or unassigned amounts are available for use, it is the District's policy to use the restricted resources first when there is an expenditure for which restricted resources are available.

The proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer utilities are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund types are accounted for on an economic resources measurement focus using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

When both restricted and unrestricted resources are available, it is the District's policy to use the restricted resources first when there is an expenditure for which restricted resources are available.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the District's water and wastewater functions and the fire protection function of the District. In addition, The District reports the interest received by the Water District and interest expense paid by the Fire District on the construction and water tender loans. The District management considers the loans as a way to earn a higher return on unrestricted cash.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the proprietary fund types consider all highly liquid investments with maturity of three months or less when purchased to be cash equivalents. Cash deposited in external investment pools are considered to be cash equivalents when deposits and withdrawals may be made at any time without prior notice or penalty. The District invests a portion of its proprietary fund cash in the Local Agency Investment Fund (LAIF) an external investment pool.

**Accounts Receivable**

Trade accounts receivable are reported net of a provision for uncollectable accounts that is equal to 0.50% of sales plus those accounts the District expects to be uncollectable.

**Capital Assets**

Capital assets consist of land, rights-of-way, buildings, furniture, equipment, the water distribution system, and the sewage collection system. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of 2 years. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. The costs of betterments or repairs that extend the life of a capital asset are added to capital accounts.

Depreciation of all exhaustible capital assets is charged as an expense against its operations, with accumulated depreciation reflected in the statement of net position. Depreciation has been provided over the estimated useful lives using the straight-line method.

The estimated useful lives are as follows:

Trucks and Equipment	5-10	years
Buildings and Improvements	20	years
Improvements and Upgrades	10-40	years
Utility Plant	10-50	years

**Fund Balance Classification Policy**

When a fund balance commitment or assignment is required, the Board proposes and adopts a resolution at its regularly scheduled board meeting. If the resolution requires amendment or modification, the Board proposes and adopts an amendment to the resolution.

**Estimates**

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**Budgetary Information**

The General Manager submits a proposed operating budget for the governmental fund and proprietary funds for the fiscal year commencing on July 1 to the District's Board of Directors. Public hearings are conducted to obtain taxpayer and ratepayer comments. A preliminary budget is legally adopted in June and a final budget is legally adopted in August, following the closing of the prior period.

The budget is prepared on a detailed line item basis. Management does not budget for capital purchases but considers and approves capital purchases separately from the budget process. Revenues are budgeted by source per the California Government Code Section 61110, as amended by Senate Bill 135.

**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; injuries to employees; and natural disasters. The District maintains commercial and risk pool coverage covering each of those risks of loss.

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this coverage in any of the past three years.

**NOTE 2 – CASH AND INVESTMENT FUNDS**

Cash and investment funds at June 30, 2018, consist of the following:

		<u>General Fund - Fire District</u>		
Commercial Account				\$ 14,020
Pooled Funds Humboldt County – Board Designated				46,042
Pooled Investment Funds Humboldt County				<u>118,189</u>
Total Cash and Investment Funds General Fund				<u>\$ 178,251</u>
		<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
Commercial Accounts:				
Checking	\$ 25,997	\$ -	\$ 25,997	
Savings	<u>187,121</u>	<u>459</u>	<u>187,580</u>	
	<u>213,118</u>	<u>459</u>	<u>213,577</u>	
Pooled Investment Funds:				
Local Agency Investment Fund (LAIF)	56,671	910	57,581	
Board Designated (LAIF)	<u>50,000</u>	<u>-</u>	<u>50,000</u>	
Total LAIF	<u>106,671</u>	<u>910</u>	<u>107,581</u>	
Total Cash and Investment Funds Enterprise Funds	<u>\$ 319,789</u>	<u>\$ 1,369</u>	<u>\$ 321,158</u>	

Commercial account balances are carried at cost. Management feels that cost approximates fair value. Balances up to \$250,000 are covered by the National Credit Union Administration.

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2018, none of the District's bank balance in Coast Central Credit Union was exposed to custodial credit risk.

The District participates in two external investment pools: the Humboldt County Treasurer's Investment Pool and the Local Agency Investment Fund (LAIF). The District accounts for investments in these pools at cost. Management considers the difference between book value and fair value immaterial. Both pools determine fair value quarterly.

LAIF is a fund for pooling surplus cash of local government agencies and is chartered and administered by the California State Treasurer's Office. LAIF has invested a portion of the pool funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to changes in interest rates.

The Humboldt County Treasurer's Investment Pool is administered by the County of Humboldt Treasurer's Office and conforms to the California Government Code. The County's portfolio normally consists of U.S. Treasury issues, U.S. Agency agreements, banker's acceptances, and the LAIF. All cash invested by the County in demand deposit accounts is collateralized to 110 percent with approved U.S. Government securities, such as Treasury Bills and other U.S. Treasury issues.

The governing body has not formally adopted a deposit and investment policy.

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts Receivable at June 30, 2018, consists of the following:

	<u>Water</u>	<u>Enterprise Funds Sewer</u>	<u>Total</u>
Accounts Receivable per HBMWD			
Utility Billing Aging Report	\$ 40,126	\$ 17,033	\$ 57,159
Customer Deposits per Report	2,734	1,234	3,968
Allowance for Uncollectable Accounts	<u>(2,212)</u>	<u>(943)</u>	<u>(3,155)</u>
Accounts Receivable - Net	<u>\$ 40,648</u>	<u>\$ 17,324</u>	<u>\$ 57,972</u>

**NOTE 4 – CAPITAL ASSETS AND INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT**

The change in the General Fund - Fire Department capital assets and investment in capital assets, for the year ended June 30, 2018, is as follows:

	<u>Balance 6/30/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/18</u>
Capital Assets Not Depreciated:				
Land	\$ 5,106	\$ -	\$ -	\$ 5,106
Capital Assets Being Depreciated:				
Building	359,673	-	-	359,673
Furniture and Equipment	<u>728,376</u>	<u>18,542</u>	<u>(11,349)</u>	
	<u>735,569</u>			
Total Capital Assets Being Depreciated	1,088,049	18,543	(11,349)	1,095,242
Less: Accumulated Depreciation	<u>(579,909)</u>	<u>(45,594)</u>	<u>11,349</u>	<u>(614,154)</u>
Capital Assets Being Depreciated, Net	<u>508,140</u>	<u>(27,052)</u>	<u>-</u>	<u>481,088</u>
Investment in Capital Assets	<u>\$ 513,246</u>	<u>\$ (27,052)</u>	<u>\$ -</u>	<u>\$ 486,194</u>

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

Depreciation expense of \$45,594 was charged to the General Fund - Fire Department for the year ended June 30, 2018.

The change in business-type activities (Sewer and Water Fund) capital assets and investment in capital assets, net of related debt for the year ended June 30, 2018, is as follows:

	<u>Balance</u> <u>6/30/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/18</u>
<u>Water Fund</u>				
Capital Assets not Depreciated:				
Land	\$ 6,351	\$ -	\$ -	\$ 6,351
Right-of-Way	110	-	-	110
Total Capital Assets Not Depreciated	<u>6,461</u>	<u>-</u>	<u>-</u>	<u>6,461</u>
Capital Assets Being Depreciated:				
Buildings and Equipment	33,739	-	-	33,739
Water Distribution System	1,802,774	24,350	-	1,827,124
Less: Accumulated Depreciation	<u>(1,301,332)</u>	<u>(24,979)</u>	<u>-</u>	<u>(1,326,311)</u>
Capital Assets Being Depreciated, Net	<u>535,181</u>	<u>(629)</u>	<u>-</u>	<u>534,552</u>
Net Property, Plant and Equipment	541,642	(629)	-	541,013
Related Debt	<u>(575,018)</u>	<u>-</u>	<u>27,637</u>	<u>(547,381)</u>
Investment in Capital Assets, Net of Related Debt	<u>\$ (33,376)</u>	<u>\$ (629)</u>	<u>\$ 27,637</u>	<u>\$ (6,368)</u>
<u>Sewer Fund</u>				
Capital Assets Not Depreciated:				
Right-of-Way	\$ 20,860	\$ -	\$ -	\$ 20,860
Capital Assets Being Depreciated:				
Buildings and Equipment	506	-	-	506
Sewage Collection System	3,983,645	-	-	3,983,645
Less: Accumulated Depreciation	<u>(2,045,227)</u>	<u>(93,819)</u>	<u>-</u>	<u>(2,139,046)</u>
Capital Assets Being Depreciated, Net	<u>1,938,924</u>	<u>(93,819)</u>	<u>-</u>	<u>1,845,105</u>
Investment in Capital Assets	<u>\$ 1,959,784</u>	<u>\$ (93,819)</u>	<u>\$ -</u>	<u>\$ 1,865,965</u>

Depreciation expense of \$24,979 and \$93,819 was charged to Water and Sewer Fund operations, respectively, for the year ended June 30, 2018.

**NOTE 5 – NOTES PAYABLE AND INTERFUND LOANS**

The 2014 renovation of the firehouse and grounds was partially financed with a loan in the amount of \$182,400 from the Water Department. The loan, bearing interest at 4.50% per annum as of June 30, 2018, with annual interest rate reviews, is payable in semi-annual installments with the loan maturing on June 30, 2034.

The 2016 purchase of a water tender truck for the Fire Department was partially financed with a loan in the amount of \$110,000 from the Water Department. The loan, bearing interest at 4.50%

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

per annum as of June 30, 2018, with annual interest rate reviews, is payable in semi-annual installments with the loan maturing on June 30, 2026.

The interfund loan balances are recorded on the Statement of Net Position as Interfund Loans Receivable/(Payable). These balances are eliminated upon consolidation in the Statement of Net Position.

The installation of a New Aluminum Dome Roof onto the District's Anker Lane 400,000 gallon water reservoir was financed by the California Infrastructure and Economic Development Bank (I-Bank). The effective date of the agreement was May 1, 2009. The principal amount of the loan was \$254,457. Due to declining interest rates, I-Bank initiated refinancing, and the loan was refinanced as of March 1, 2014. Principal payments are due annually on August 1, and the loan matures on August 1, 2034. Interest at 3.82% is payable semi-annually.

Construction of the water system was financed in part by a \$675,000 loan from the State of California under the Davis-Grunsky Act (DG). Interest at 2.5% per annum was payable semi-annually, but was deferred in accordance with the provisions of the loan. Deferred interest is payable on January 1 of each year in the amount of \$3,228. Principal is payable annually on January 1 of each year with the loan maturing on January 1, 2034. Interest is payable semi-annually at 2.5% of the outstanding loan balance.

The payment of the loans from the water fund to the general (fire) fund are partially funded by a 10-year property assessment. The activity for the year ended June 30, 2018, is as follows:

	<u>Balance 6/30/17</u>	<u>Advance</u>	<u>Payment</u>	<u>Balance 6/30/18</u>
Fire Fund				
Interfund Loans from				
Water Fund	\$ 246,430	\$ -	\$ (15,175)	\$ 231,255
Less: Current Portion	<u>(15,175)</u>	<u>-</u>	<u>(691)</u>	<u>(15,866)</u>
Long-term Liabilities	<u>\$ 231,255</u>	<u>\$ -</u>	<u>\$ (15,866)</u>	<u>\$ 215,389</u>

The activity for the long-term obligations, of which all is revenue debt, for the business-type activities for the year ended June 30, 2018, is as follows:

	<u>Balance 6/30/17</u>	<u>Advance</u>	<u>Payment</u>	<u>Balance 6/30/18</u>
Water Fund				
I-Bank	\$ 203,385	\$ -	\$ (8,531)	\$ 194,854
DG Principal	316,852	-	(15,878)	300,974
DG Deferred Interest	<u>54,781</u>	<u>-</u>	<u>(3,228)</u>	<u>51,553</u>
Total	575,018	-	(27,637)	547,381
Less: Current Portion	<u>(27,637)</u>	<u>-</u>	<u>(744)</u>	<u>(28,381)</u>
Long-term Liabilities	<u>\$ 547,381</u>	<u>\$ -</u>	<u>\$ (28,381)</u>	<u>\$ 519,000</u>



**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

The annual debt service requirements to maturity are as follows:

Interfund Loan from Water Fund to Fire Fund - Firehouse Renovation

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 6,125	\$ 6,219
2020	6,403	5,940
2021	6,695	5,649
2022	6,999	5,345
2023	7,318	5,026
2024 to 2028	41,898	19,821
2029 to 2033	52,340	9,379
2034	<u>11,939</u>	<u>404</u>
Total	139,717	57,783
Due within one year	<u>(6,125)</u>	<u>(6,219)</u>
Due after one year	<u>\$ 133,592</u>	<u>\$ 51,564</u>

Interfund Loan from Water Fund to Fire Fund - Water Tender

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 9,741	\$ 4,011
2020	10,184	3,568
2021	10,648	3,104
2022	11,132	2,619
2023	11,639	2,113
2024 to 2026	<u>38,194</u>	<u>3,063</u>
Total	91,538	18,478
Due within one year	<u>(9,741)</u>	<u>(4,011)</u>
Due after one year	<u>\$ 81,797</u>	<u>\$ 14,467</u>

California Infrastructure and Economic Development Bank

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 8,878	\$ 7,274
2020	9,240	6,928
2021	9,616	6,567
2022	10,007	6,193
2023	10,414	5,803
2024 to 2028	58,785	22,585
2029 to 2033	<u>87,914</u>	<u>10,465</u>
Total	194,854	65,815
Due within one year	<u>(8,878)</u>	<u>(7,274)</u>
Due after one year	<u>\$ 185,976</u>	<u>\$ 58,541</u>

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

Davis Grunsky

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Deferred Interest</u>
2019	\$ 16,275	\$ 7,323	\$ 3,228
2020	16,681	6,920	3,228
2021	17,098	6,479	3,228
2022	17,526	6,056	3,228
2023	17,964	5,612	3,228
2024 to 2028	96,585	21,013	16,140
2029 to 2033	109,704	8,215	16,140
2034	<u>9,141</u>	<u>115</u>	<u>3,133</u>
Total	300,974	61,733	51,553
Due within one year	<u>(16,275)</u>	<u>(7,323)</u>	<u>(3,228)</u>
Due after one year	<u>\$ 284,699</u>	<u>\$ 54,410</u>	<u>\$ 48,325</u>

**NOTE 6 – INTERFUND TRANSACTIONS**

Interfund balances that are not loans payable, consist of the following as of June 30, 2018:

Advances To/From Other Funds

<u>Advancing Fund</u>	<u>Receiving Fund</u>	<u>Amount</u>
Water Fund	Sewer Fund	<u>\$65,000</u>

The advance from the Water Fund to the Sewer Fund resulted from cash deficits caused by an infiltration of liquids into the sewer system that significantly increased effluent processing costs. The benefit of repairs made during the year will remain unknown until winter, so the timing of available surplus cash to repay the advance remains uncertain. Management estimated \$12,000 to be classified as current at June 30, 2018. The advance carries no interest and has no set payment structure. Management expects to formalize it as a note during the coming fiscal year.

**NOTE 7 – RISK MANAGEMENT**

The District is a member of the Special District Risk Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority, created pursuant to California Government Code Sections 6500, et. Seq. Each entity has an equal voice in the selection of a board, which oversees the Authority. The District's obligations under the arrangement are to pay billed premiums for the specified coverage provided. The SDRMA may pay dividends to members or may make additional assessments depending on loss experience. No dividends have been declared and no additional assessments have been levied against the District.

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

The District has a total risk financing limit of \$2.5 Million per occurrence for General and Auto Liability, Public Officials' and Employees' Errors and Omissions and Employee Practices Liability, subject to a \$500 and \$1,000 per occurrence for third party general and auto liability property damage, respectively. In addition, there is a 50% co-insurance of cost expended by SDRMA in excess of \$10,000 up to \$50,000 per occurrence for employment related claims if certain criteria are not met. The District also has Employee Dishonesty Coverage with a total of \$1.0 Million per loss and Property Loss coverage for replacement cost on scheduled property and mobile equipment coverage subject to a small deductible.

Financial information pertaining to SDRMA can be obtained from its administrative offices at 1112 I Street, Suite 300, Sacramento, California 95814.

**NOTE 8 – PROPERTY TAXES**

The lien date for secured property taxes is March 1 of each year. Taxes are levied as of July 1 on all secured real property and are due and payable November 1 and February 1 of the following fiscal year. Humboldt County is responsible for assessing, collecting, and distributing property taxes in accordance with enabling legislation.

Since the passage of California Proposition 13, beginning with fiscal year 1978-79, taxes are based either on a 1% rate applied to the 1975-76 assessed value of the property, or on 1% of the sales price of the property on sales transactions and construction which occur after the 1975-76 assessment. Assessed values on properties (exclusive of increases related to sales transactions and improvements) can rise at a maximum of 2% per year. The amount collected by the County is distributed in accordance with State law to the various public agencies. Therefore, the District does not levy a specific tax rate but receives a share of the property tax revenue based on State formula. The District's tax rate is \$1.00/\$100 of assessed value, the maximum allowable under Proposition 13.

During fiscal year 1993-94, an alternate method of property tax allocation (the "Teeter Plan") was adopted. Under this plan, the county auditor/controller distributes 100 percent of current secured taxes billed to taxing entities during the current year, whether collected or not. The District recognizes property tax revenues (including tax increment revenues) to the extent of each year's tax allocation received or to be received within 60 days after the end of each fiscal year.

On November 5, 2013, the voters approved an assessment of \$75 per parcel for a period of ten years. The tax became effective July 1, 2014. The increase in the parcel tax was inadvertently omitted on the prior year tax bills. The Board added the difference of \$33.00 per parcel to the tax roll for 2015-16 and a mailed letter of explanation to the public. The Fire Department reduced the operating reserve to accommodate the delayed collection.

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 9 – WATER PURCHASE, WASTEWATER TREATMENT AND ENGINEERING CONTRACTS**

The District has a contract with the HBMWD whereby HBMWD agreed to provide customer service, cash management and accounting services for the District's water and sewer systems and operational and maintenance services for the water system. The District paid actual costs, as incurred, for staff time and material/supplies used in or for the district, and a pre-determined fixed allocation for the HBMWD's General Manager and Superintendent's time.

The District has a contract with HBMWD to purchase the District's water. Under the contract, the District pays HBMWD a rate that includes cost allocations of various factors designed to cover costs associated with the operation, maintenance, repair and replacement of the HBMWD's base water facilities and drinking water treatment facilities.

The District has an agreement with the engineering consulting firm GHD (Consultants) whereby the Consultants agreed to provide general engineering services as requested by the District and the District agreed to compensate the Consultants for time and materials per the Consultant's fee schedule in effect at the time the services were performed.

In 1992 the District and the City of Arcata executed a Sewer Service Agreement for treatment and discharge of wastewater. The contract limits the amount of effluent collected for treatment to 71,200 average gallons per day. The average is calculated during the dry months of June through September. The District pays user charges based on the costs of providing sewer services in accordance with the City's standard billing for sewer service charges as set by the Arcata Municipal Code. The agreement was reevaluated in the fiscal year ending June 30, 2013, and no action was taken. According to the terms of the agreement, if no action is taken, the contract is extended per the terms of the contract.

**NOTE 10 – RELATED PARTY TRANSACTIONS**

The District paid \$445.65 to Central Avenue Service Station for truck battery replacement. Central Avenue Service Station is owned by Richard Grissom, a District Board Member.

The District paid \$2,717.65 to Bill Sheppard for sewer repairs. Bill Sheppard is related to a District Board Member.

**NOTE 11 – BOARD DESIGNATED ASSETS - WATER RATE STABILIZATION RESERVE AND FIRE DEBT SERVICE RESERVE**

The District's Board resolved to establish a rate stabilization reserve of \$50,000 in order to comply with the installment sale agreement that was entered into as of May 1, 2009, with the California Infrastructure and Economic Development Bank (I-Bank). The agreement requires the District to fix, charge and collect, or cause to be fixed, charged and collected, in each fiscal year, such rates and charges so that the net revenue will be at least 110% of the sum of annual

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

debt service and debt service on subordinate debt. Increases other than those related to the original ordinance to set rates annually are governed by the California Constitution Article XIII D. The Board resolved to maintain the designated reserve even though revenue enhancements and expenditure reductions has resulted in compliance with the agreement.

The fire department has loans for the firehouse renovation and a fire truck that extend beyond the special benefit tax assessment which expires in fiscal year 2024-2025. The District's Board resolved to annually designate a portion of the fire departments ending fund balance to establish a reserve account for future debt payments in the case the special benefit tax assessment isn't renewed. The current amount that the board has designated for the fire department loans is \$46,042.

**NOTE 12 – RATE STABILIZATION**

In November 2015, a resolution #2015-11 was approved by the District's Board. The resolution continued the process of allowing for automatic rate adjustments based on the pass-through of wholesale water costs. The Ordinances will sunset five years from the date of adoption pursuant to California Government Code, Section 53755.

**NOTE 13 – COMMITMENTS AND CONTINGENCIES**

Humboldt Bay Municipal Water District is planning to upgrade their billing software in February of 2019. The District will share in the cost of this upgrade. The cost to the District in the next fiscal year is estimated to be \$20,000. Each subsequent year a fee of \$4,500 will be incurred by the District for software maintenance. As of June 30, 2018, no payments have been made by the District.

**REQUIRED SUPPLEMENTARY INFORMATION**

**FLDDBROOK GLENDALE COMMUNITY SERVICES DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GOVERNMENTAL FUND  
For the Year Ended June 30, 2018**

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Positive (Negative) Variance
Revenues				
General Revenues	\$ 96,709	\$ 99,774	\$ 102,457	\$ 2,683
Other Revenue	1,473	1,473	3,372	1,899
Unrestricted Investment Earnings	825	1,217	2,382	1,165
InKind Revenue	-	6,353	6,353	-
	<u>99,007</u>	<u>108,817</u>	<u>114,564</u>	<u>5,747</u>
Revenues				
Expenditures:				
Chief's Expenses	599	599	599	-
Insurance	16,621	17,014	17,013	1
Interest	10,921	10,921	10,921	-
Professional Services	4,545	4,542	4,542	-
Dues and Memberships	2,426	3,025	3,024	1
Utilities	5,398	7,439	7,477	(38)
Transportation and Travel	1,208	1,020	1,021	(1)
Supplies	3,550	2,712	2,711	1
Maintenance	6,300	9,744	9,745	(1)
Equipment and Small Tools	2,300	3,630	3,630	-
Capital Purchases	-	-	18,542	(18,542)
Grant Match Expense	-	-	1,705	(1,705)
Benefit Assessment Fee	102	113	113	-
Chief's Incentive Program	2,000	1,912	1,912	-
Payroll	1,644	1,638	1,638	-
	<u>57,614</u>	<u>64,309</u>	<u>84,593</u>	<u>(20,284)</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 41,393</u>	<u>\$ 44,508</u>	<u>29,971</u>	<u>\$ (14,537)</u>
Fund Balance, Beginning of Year			(81,185)	
Fund Balance, End of Year			<u>\$ (51,214)</u>	
Total Fund Balance - Government Fund			\$ (51,214)	
Amounts reported for governmental activities in the Statement of Activities are different because capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The total capital assets, net of accumulated depreciation are:			486,194	
Net Position of Governmental Activities			<u>\$ 434,980</u>	
Net Change in Fund Balance - Government Fund			\$ 29,971	
Amounts reported for governmental activities in the Statement of Activities are different because some expenses reported in the Statement of Activities do not require use of current financial resources, and therefore, are not reported as expenditures in the governmental funds. This expense is:				
Depreciation			(45,594)	
Governmental funds report capital outlays as expenditures since they require the use of current financial resources. Capital outlays for the current period were:			18,542	
Change in Net Position of Governmental Activities			<u>\$ 2,919</u>	

See independent auditors' report.