

**FLDDBROOK GLENDALF COMMUNITY SERVICES DISTRICT**

**BASIC FINANCIAL STATEMENTS**

**AND**

**REQUIRED SUPPLEMENTARY INFORMATION**

**As of and for the Year Ended June 30, 2020**

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## **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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America 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, 2020, 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 3-14 and 36 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.

December 15, 2020

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

## Management's Discussion and Analysis For Fiscal Year Ending June 30, 2020

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, 2020. 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 2019-20			FY 2018-19			Change	
	Governmental (Fire)	Business Type (Water/Sewer)	Total	Governmental (Fire)	Business Type (Water/Sewer)	Total	\$	%
Current and other assets	\$ 149,426	\$ 415,728	\$ 565,154	\$ 158,220	\$ 342,642	\$ 500,862	\$ 64,292	12.84%
Board designated assets	\$ 74,797	\$ 50,000	\$ 124,797	\$ 61,389	\$ 50,000	\$ 111,389	\$ 13,408	12.04%
Notes Receivable/Payable	\$ (198,801)	\$ 198,801	\$ -	\$ (215,389)	\$ 215,389	\$ -	\$ -	0.00%
Capital/Fixed assets	\$ 428,801	\$ 2,326,125	\$ 2,754,926	\$ 466,076	\$ 2,341,360	\$ 2,807,436	\$ (52,510)	-1.87%
<b>Total Assets</b>	<b>\$ 454,223</b>	<b>\$ 2,990,654</b>	<b>\$ 3,444,877</b>	<b>\$ 470,296</b>	<b>\$ 2,949,391</b>	<b>\$ 3,419,687</b>	<b>\$ 25,190</b>	<b>0.74%</b>
Current and other liabilities	\$ 59	\$ 129,229	\$ 129,288	\$ 22,926	\$ 141,456	\$ 164,382	\$ (35,094)	-21.35%
Long term liabilities	\$ -	\$ 459,909	\$ 459,909	\$ -	\$ 489,851	\$ 489,851	\$ (29,942)	-6.11%
<b>Total Liabilities</b>	<b>\$ 59</b>	<b>\$ 589,138</b>	<b>\$ 589,197</b>	<b>\$ 22,926</b>	<b>\$ 631,307</b>	<b>\$ 654,233</b>	<b>\$ (65,036)</b>	<b>-9.94%</b>
Investment in capital assets (net of related debt)	\$ 428,801	\$ 1,836,274	\$ 2,265,075	\$ 466,076	\$ 1,851,509	\$ 2,317,585	\$ (52,510)	-2.27%
Unrestricted	\$ (49,434)	\$ 515,242	\$ 465,808	\$ (80,095)	\$ 416,575	\$ 336,480	\$ 129,328	38.44%
Board Assigned	\$ 74,797	\$ 50,000	\$ 124,797	\$ 61,389	\$ 50,000	\$ 111,389	\$ 13,408	12.04%
<b>Net Position</b>	<b>\$ 454,164</b>	<b>\$ 2,401,516</b>	<b>\$ 2,855,680</b>	<b>\$ 447,370</b>	<b>\$ 2,318,084</b>	<b>\$ 2,765,454</b>	<b>\$ 90,226</b>	<b>3.26%</b>

The district’s net position for all funds as of June 30, 2020, was \$2,855,680 an increase of \$90,226 (3.26%) as compared to June 30, 2019. Current and other assets include cash in banks, accounts receivable, grants, other receivables and pre-paid expenses. Current and other assets increased \$64,292 (12.84%) as compared to June 30, 2019.

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 \$2,754,926 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 designated a fire fund reserve of \$74,797 for future debt payments.

**TABLE 2**  
**CONDENSED STATEMENTS OF NET POSITION BY FUND**  
**JUNE 30, 2020**

	Water	Sewer	Fire	Total
Current and other assets	\$ 296,154	\$ 119,574	\$ 149,426	\$ 565,154
Capital/Fixed assets	\$ 613,158	\$ 1,712,967	\$ 428,801	\$ 2,754,926
Interfund Notes Receivable/Payable	\$ 255,708	\$ (56,907)	\$ (198,801)	\$ -
Board Assigned	\$ 50,000	\$ -	\$ 74,797	\$ 124,797
Total Assets	\$ 1,215,020	\$ 1,775,634	\$ 454,223	\$ 3,444,877
Current and other liabilities	\$ 104,966	\$ 24,263	\$ 59	\$ 129,288
Long Term Liabilities	\$ 459,909	\$ -	\$ -	\$ 459,909
Total Liabilities	\$ 564,875	\$ 24,263	\$ 59	\$ 589,197
Investment in capital assets net of related debt	\$ 123,307	\$ 1,712,967	\$ 428,801	\$ 2,265,075
Unrestricted	\$ 476,838	\$ 38,404	\$ (49,434)	\$ 465,808
Board Assigned	\$ 50,000	\$ -	\$ 74,797	\$ 124,797
Total Net Assets	\$ 650,145	\$ 1,751,371	\$ 454,164	\$ 2,855,680

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.

Current assets, current liabilities, and long-term liabilities for the water and sewer funds are presented differently from the Statement of Net Position – Proprietary Funds. The water fund is presented without the \$8,461 current portion of the \$56,907 inter-fund advance (see Note 5) in current assets. The related current and long-term liability for the sewer fund is netted against assets.

### Results of Operations

**TABLE 3**  
**CONDENSED STATEMENT RESULTS OF OPERATIONS**  
**JUNE 30, 2020**

	Water	Sewer	Fire	Total
Revenues:				
Charges for services	\$ 496,422	\$ 382,559	\$ -	\$ 878,981
Taxes and assessments	\$ -	\$ -	\$ 109,360	\$ 109,360
Unrestricted investment earnings	\$ 14,629	\$ 412	\$ 3,891	\$ 18,932
In Kind/Grant Revenue	\$ 72,294	\$ -	\$ -	\$ 72,294
Other Income	\$ 10,591	\$ 7,925	\$ 3,554	\$ 22,070
Total Revenues	\$ 593,936	\$ 390,896	\$ 116,805	\$ 1,101,637
Expenses:				
Water/Sewer services	\$ 476,754	\$ 298,411	\$ -	\$ 775,165
Public Safety	\$ -	\$ -	\$ 67,141	\$ 67,141
Depreciation expenses	\$ 30,481	\$ 95,755	\$ 42,865	\$ 169,101
Total Expenses	\$ 507,235	\$ 394,166	\$ 110,006	\$ 1,011,407
Result of operations	\$ 86,701	\$ (3,270)	\$ 6,799	\$ 90,230
Total net assets - beginning	\$ 563,444	\$ 1,754,641	\$ 447,365	\$ 2,765,450
Total net assets - ending	\$ 650,145	\$ 1,751,371	\$ 454,164	\$ 2,855,680



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 \$1,101,637. In-Kind/Grant Revenue of \$72,294 was for a planning grant for the Anker Tank Replacement Project. Operating expenses for water and sewer services was \$775,165. Public safety expenses for the fire department totaled \$67,141. The District had depreciation expenses of \$169,101. The District's total net position increased \$90,230 as a net result of operations and depreciation.

**TABLE 4  
RESULTS OF WATER OPERATIONS  
YEAR OVER YEAR – 2021 ADOPTED BUDGET**

<b>Water</b>	<b>Column One - Year over Year</b>				<b>Column Two - 2021 Budget compared to 2020 Actuals</b>			
	Actuals 2019-2020	Actuals 2018-2019	\$\$ Change	% Change	Budget 2020-2021	Actuals 2019-2020	\$\$ Change	% Change
<b>Revenues</b>								
Water Sales	\$ 460,474	\$ 443,735	\$ 16,739	3.8%	\$ 453,633	\$ 460,474	\$ (6,841)	-1.5%
Special benefit zone	\$ 24,618	\$ 16,944	\$ 7,673	45.3%	\$ 21,468	\$ 24,618	\$ (3,150)	-12.8%
Fee for service	\$ 4,690	\$ 8,319	\$ (3,629)	-43.6%	\$ 5,685	\$ 4,690	\$ 995	21.2%
Installation/Meter Charge	\$ 4,009	\$ 1,096	\$ 2,913	265.8%	\$ -	\$ 4,009	\$ (4,009)	-100.0%
Other revenue	\$ 2,632	\$ 1,839	\$ 794	43.2%	\$ -	\$ 2,632	\$ (2,632)	-100.0%
<b>Total Revenue</b>	<b>\$ 496,423</b>	<b>\$ 471,933</b>	<b>\$ 24,490</b>	<b>5.2%</b>	<b>\$ 480,786</b>	<b>\$ 496,423</b>	<b>\$ (15,637)</b>	<b>-3.1%</b>
<b>Expenses</b>								
Purchased water	\$ 172,755	\$ 172,055	\$ 700	0.4%	\$ 173,411	\$ 172,755	\$ 656	0.4%
Director Fees	\$ 2,995	\$ 2,995	\$ -	0.0%	\$ 2,995	\$ 2,995	\$ -	0.0%
Contract Labor	\$ 232,686	\$ 224,396	\$ 8,290	3.7%	\$ 219,691	\$ 232,686	\$ (12,995)	-5.6%
Insurance	\$ 3,245	\$ 2,854	\$ 391	13.7%	\$ 3,787	\$ 3,245	\$ 542	16.7%
Professional services	\$ 4,825	\$ 4,558	\$ 267	5.9%	\$ 4,835	\$ 4,825	\$ 10	0.2%
Dues & Memberships	\$ 977	\$ 605	\$ 372	61.5%	\$ 977	\$ 977	\$ -	0.0%
Utilities	\$ 11,331	\$ 11,722	\$ (391)	-3.3%	\$ 12,238	\$ 11,331	\$ 907	8.0%
Property Taxes	\$ 225	\$ 225	\$ -	0.0%	\$ 225	\$ 225	\$ -	0.0%
Supplies	\$ 1,237	\$ 741	\$ 496	66.9%	\$ 1,187	\$ 1,237	\$ (50)	-4.0%
Maintenance/Line Repairs	\$ 8,679	\$ 2,000	\$ 6,679	334.0%	\$ 12,000	\$ 8,679	\$ 3,321	38.3%
Small Equipment	\$ 1,037	\$ -	\$ 1,037	100.0%	\$ -	\$ 1,037	\$ (1,037)	-100.0%
Bad Debt/Bank fees	\$ 6,732	\$ 3,385	\$ 3,347	98.9%	\$ 3,650	\$ 6,732	\$ (3,082)	-45.8%
Licenses & Fees	\$ 4,195	\$ 3,360	\$ 835	24.9%	\$ 4,167	\$ 4,195	\$ (28)	-0.7%
Payroll expense	\$ 12,118	\$ 11,618	\$ 500	4.3%	\$ 12,144	\$ 12,118	\$ 26	0.2%
<b>Total expense</b>	<b>\$ 463,037</b>	<b>\$ 440,514</b>	<b>\$ 22,523</b>	<b>5.1%</b>	<b>\$ 451,307</b>	<b>\$ 463,037</b>	<b>\$ (11,730)</b>	<b>-2.5%</b>
<b>Results of operations</b>	<b>\$ 33,386</b>	<b>\$ 31,419</b>	<b>\$ 1,967</b>	<b>6.3%</b>	<b>\$ 29,479</b>	<b>\$ 33,386</b>	<b>\$ (3,907)</b>	<b>-11.7%</b>
<b>Other Income</b>								
Interest Earnings	\$ 14,629	\$ 13,428	\$ 1,201	8.9%	\$ 13,074	\$ 14,629	\$ (1,555)	-10.6%
Connection Fees	\$ 10,591	\$ 2,100	\$ 8,491	0.0%	\$ -	\$ 10,591	\$ (10,591)	0.0%
Grant Revenue	\$ 72,294	\$ -	\$ -	0.0%	\$ -	\$ 72,294	\$ (72,294)	-100.0%
<b>Total Other Income</b>	<b>\$ 97,514</b>	<b>\$ 15,528</b>	<b>\$ 81,985</b>	<b>528.0%</b>	<b>\$ 13,074</b>	<b>\$ 97,514</b>	<b>\$ (84,440)</b>	<b>-86.6%</b>
<b>Other Expense</b>								
Deprecation	\$ 30,481	\$ 26,639	\$ 3,842	14.4%	\$ 26,639	\$ 30,481	\$ (3,842)	-12.6%
Interest Expense	\$ 13,715	\$ 15,043	\$ (1,328)	-8.8%	\$ 13,621	\$ 13,715	\$ (94)	-0.7%
<b>Total Other Expense</b>	<b>\$ 44,196</b>	<b>\$ 41,682</b>	<b>\$ 2,514</b>	<b>6.0%</b>	<b>\$ 40,260</b>	<b>\$ 44,196</b>	<b>\$ (3,936)</b>	<b>-8.9%</b>
<b>Net Other Income/Expense</b>	<b>\$ 53,318</b>	<b>\$ (26,153)</b>	<b>\$ 79,471</b>	<b>-303.9%</b>	<b>\$ (27,186)</b>	<b>\$ 53,318</b>	<b>\$ (80,504)</b>	<b>-151.0%</b>
<b>Net Income</b>	<b>\$ 86,704</b>	<b>\$ 5,266</b>	<b>\$ 81,438</b>	<b>-1546.5%</b>	<b>\$ 2,293</b>	<b>\$ 86,704</b>	<b>\$ (84,411)</b>	<b>-97.4%</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

In column one, year over year revenues increased \$24,490 (5.2%). The district adopted a rate increase in January 2020 of 2.29% based on the fluctuation in the Consumer Price Index. Special benefit zone revenues increased 45.3% based on a change in accounting procedures. In past

years, a portion of these revenues were reported in water sales, new billing software purchased in January 2020 allows these revenues to be captured within the special benefit zone.

### **Water Expenses**

Total Expenses increased \$22,523 (5.1%). Contract labor increased \$8,290 (3.7%). 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 of \$9,032 in engineering expenses related to the preparation and submittal of a Hazard Mitigation grant for the Anker Tank Replacement Project. 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 increased \$10,225. Also, there were expenses for installation/removal of water meters of \$6,997. The district was reimbursed for these expenses by customers. The cost of maintenance and operations is anticipated to increase with inflation. Water line repairs and maintenance increased \$6,679 for mainline and pump station repairs. The district made small equipment purchases to replace a computer and printer for \$1,037. Bad debt and bank fees increased \$3,347. Bad debt increased \$828 and bank fees increased \$2,519, primarily from the credit card processing fees.

### **Other Income/Expense**

Interest income increased \$1,201, connection fees increased \$8,491, depreciation increased \$3,842 and debt service interest decreased 1,328.

### **Anker Lane Tank Replacement Project**

In August of 2019, the board adopted a resolution authorizing the general manager to execute on behalf of the district an application to the FEMA Hazard Mitigation Grant Program and Pre-Disaster Mitigation Program for the FGCS Water Tank Seismic Retrofit Project. The project will place a new 400,000-gallon water tank adjacent to the existing redwood water tank located on Anker Lane. The total project is estimated to be \$1,258,970. FEMA will fund 75% of the project, \$944,227. The district applied for and has received a grant from the North Coast Resource Partnership to fund the local match requirement of \$314,743.

The project is broken into two phases, phase one consists of planning, design, engineering, and environmental documentation. Phase two is construction and implementation. The district is currently in phase one and expended \$74,294 in fiscal year 2020, which has been booked as a grant receivable is and expected to be fully reimbursed. Phase two is scheduled to begin in March of 2021 and to be completed in October of 2021.

**TABLE 5**  
**RESULTS OF SEWER OPERATIONS**  
**YEAR OVER YEAR – 2021 ADOPTED BUDGET**

Sewer	Column One - Year over Year				Column Two - 2021 Budget compared to 2020 Actuals			
	Actuals 2019-2020	Actuals 2018-19	\$\$ Change	% Change	Budget 2020-2021	Actuals 2019-2020	\$\$ Change	% Change
<b>Revenues</b>								
Sewer Sales	\$ 356,948	\$ 257,388	\$ 99,560	38.7%	\$ 352,268	\$ 356,948	\$ (4,680)	-1.3%
Fee for service	\$ 3,771	\$ 4,867	\$ (1,096)	-22.5%	\$ 5,270	\$ 3,771	\$ 1,499	39.8%
Other revenue	\$ 21,840	\$ 29,309	\$ (7,469)	100.0%	\$ -	\$ 21,840	\$ (21,840)	-100.0%
<b>Total Revenue</b>	<b>\$ 382,559</b>	<b>\$ 291,564</b>	<b>\$ 90,995</b>	<b>31.2%</b>	<b>\$ 357,538</b>	<b>\$ 382,559</b>	<b>\$ (25,021)</b>	<b>-6.5%</b>
<b>Expenses</b>								
Sewer Treatment	\$ 154,598	\$ 205,717	\$ (51,119)	-24.8%	\$ 193,375	\$ 154,598	\$ 38,777	25.1%
Contract Labor	\$ 81,083	\$ 45,712	\$ 35,371	77.4%	\$ 41,300	\$ 81,083	\$ (39,783)	-49.1%
Insurance	\$ 2,641	\$ 2,377	\$ 264	11.1%	\$ 3,069	\$ 2,641	\$ 428	16.2%
Professional services	\$ 4,825	\$ 4,558	\$ 267	5.9%	\$ 4,835	\$ 4,825	\$ 10	0.2%
Dues & Memberships	\$ 977	\$ 605	\$ 372	61.6%	\$ 977	\$ 977	\$ -	0.0%
Utilities	\$ 12,728	\$ 12,141	\$ 587	4.8%	\$ 12,327	\$ 12,728	\$ (401)	-3.2%
Fuel	\$ 823	\$ -	\$ 823	0.0%	\$ 500	\$ 823	\$ (323)	0.0%
Property Taxes	\$ 324	\$ 324	\$ -	0.0%	\$ 324	\$ 324	\$ -	0.0%
Supplies	\$ 1,260	\$ 1,015	\$ 245	24.2%	\$ 1,200	\$ 1,260	\$ (60)	-4.8%
Maintenance/Line Repairs	\$ 695	\$ 8,688	\$ (7,993)	-92.0%	\$ 33,500	\$ 695	\$ 32,805	4720.1%
Small Equipment	\$ 1,037	\$ -	\$ 1,037	100.0%	\$ -	\$ 1,037	\$ (1,037)	-100.0%
Bad Debt/Bank fees	\$ 5,407	\$ 5,282	\$ 125	2.4%	\$ 4,680	\$ 5,407	\$ (727)	-13.4%
Licenses & Fees	\$ 3,491	\$ 3,163	\$ 328	10.4%	\$ 3,740	\$ 3,491	\$ 249	7.1%
Payroll expense	\$ 25,687	\$ 24,892	\$ 795	3.2%	\$ 25,200	\$ 25,687	\$ (487)	-1.9%
<b>Total expense</b>	<b>\$ 295,576</b>	<b>\$ 314,474</b>	<b>\$ (18,898)</b>	<b>-6.0%</b>	<b>\$ 325,027</b>	<b>\$ 295,576</b>	<b>\$ 29,451</b>	<b>10.0%</b>
<b>Results of operations</b>	<b>\$ 86,983</b>	<b>\$ (22,910)</b>	<b>\$ 109,893</b>	<b>-479.7%</b>	<b>\$ 32,511</b>	<b>\$ 86,983</b>	<b>\$ (54,472)</b>	<b>-62.6%</b>
<b>Other Income</b>								
Interest Earnings	\$ 412	\$ 39	\$ 373	967.9%	\$ 360	\$ 412	\$ (52)	-12.6%
Connection Fees	\$ 7,925	\$ 27,828	\$ (19,903)	0.0%	\$ 27,600	\$ 7,925	\$ 19,675	0.0%
<b>Total Other Income</b>	<b>\$ 8,337</b>	<b>\$ 27,867</b>	<b>\$ (19,530)</b>	<b>-70.1%</b>	<b>\$ 27,960</b>	<b>\$ 8,337</b>	<b>\$ 19,623</b>	<b>235.4%</b>
<b>Other Expense</b>								
Deprecation	\$ 95,755	\$ 94,362	\$ 1,393	1.5%	\$ 94,362	\$ 95,755	\$ (1,393)	-1.5%
Interest Expense	\$ 2,835	\$ -	\$ 2,835	0.0%	\$ 2,466	\$ 2,835	\$ (369)	0.0%
<b>Total Other Expense</b>	<b>\$ 98,590</b>	<b>\$ 94,362</b>	<b>\$ 4,228</b>	<b>4.5%</b>	<b>\$ 96,828</b>	<b>\$ 98,590</b>	<b>\$ (1,762)</b>	<b>-1.8%</b>
<b>Net Other Income/Expense</b>	<b>\$ (90,253)</b>	<b>\$ (66,495)</b>	<b>\$ (23,758)</b>	<b>35.7%</b>	<b>\$ (68,868)</b>	<b>\$ (90,253)</b>	<b>\$ 21,385</b>	<b>-23.7%</b>
<b>Net Income</b>	<b>\$ (3,270)</b>	<b>\$ (89,405)</b>	<b>\$ 86,135</b>	<b>-96.3%</b>	<b>\$ (36,357)</b>	<b>\$ (3,270)</b>	<b>\$ (33,087)</b>	<b>1011.7%</b>

### Revenues

Sewer revenues increased \$90,995. The District adopted a new rate structure in December 2018. The new rate structure was in place for the last six months for fiscal year 2019 and for all twelve months of 2020. The new rate structure has a base fee and a consumption fee based on water use for both domestic and commercial rate payers. Revenue from domestic rate payers increased \$45,370 and from commercial rate payers \$54,189. Fees for service decreased \$1,096 and other revenue decreased \$7,469.

### Expenses

Sewer expenses decreased \$18,898 (6.0%) from the prior year. Effluent treatment costs decreased \$51,119 (24.8%) 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 2.0 million gallons in 2018, decreased 1.3 million gallons in 2019, and an additional 5.5 million gallons in 2020. Contract labor increased \$35,371. HBMWD administration and bookkeeping fees are allocated to the water and sewer department based on revenues. As noted above, revenues for sewer services increased \$90,995, resulting in an increased expense of \$9,223. Engineering expenses increased \$26,147, customers reimbursed the district \$21,840. Insurance, professional services, dues, utilities, fuel, supplies, and payroll remained within an

acceptable variance from the prior year. Bad debt decreased \$1,863 from the prior year. Bank fees increased \$1,988 primarily from the credit card processing fees.

### Other Income/Expense

Connection fees decreased \$19,903, depreciation increased \$1,393, and debt service interest increased \$2,835.

**TABLE 6  
RESULTS OF FIRE OPERATIONS YEAR OVER YEAR – 2021 ADOPTED BUDGET**

Fire	Column One - Year over Year				Column Two - 2021 Budget compared to 2020 Actuals			
	Actuals 2019-2020	Actuals 2018-2019	\$\$ Change	% Change	Budget 2020-2021	Actuals 2019-2020	\$\$ Change	% Change
<b>Revenues</b>								
Property Taxes	\$ 67,771	\$ 62,903	\$ 4,868	7.7%	\$ 62,021	\$ 67,771	\$ (5,750)	-8.5%
Special Benefit Assessment	\$ 41,588	\$ 40,575	\$ 1,013	2.5%	\$ 40,575	\$ 41,588	\$ (1,013)	-2.4%
Other Income	\$ 3,554	\$ 7,794	\$ (4,240)	-54.4%	\$ 100	\$ 3,554	\$ (3,454)	-97.2%
<b>Total Revenue</b>	<b>\$ 112,913</b>	<b>\$ 111,272</b>	<b>\$ 1,641</b>	<b>1.5%</b>	<b>\$ 102,696</b>	<b>\$ 112,913</b>	<b>\$ (6,763)</b>	<b>-6.0%</b>
<b>Expenses</b>								
Director Fees	\$ 599	\$ 599	\$ -	0.0%	\$ 599	\$ 599	\$ -	0.0%
Benefit Assessment Fee	\$ 2,481	\$ 110	\$ 2,371	2163.7%	\$ 113	\$ 2,481	\$ (2,368.00)	-95.4%
Insurance	\$ 18,770	\$ 17,084	\$ 1,686	9.9%	\$ 21,029	\$ 18,770	\$ 2,259.00	12.0%
Professional services	\$ 4,825	\$ 4,558	\$ 267	5.8%	\$ 4,835	\$ 4,825	\$ 10	0.2%
Dues & Memberships	\$ 2,819	\$ 2,673	\$ 146	5.5%	\$ 2,680	\$ 2,819	\$ (139)	-4.9%
Utilities	\$ 8,751	\$ 7,731	\$ 1,020	13.2%	\$ 9,846	\$ 8,751	\$ 1,095	12.5%
Transportation/travel	\$ 1,673	\$ 1,344	\$ 329	24.5%	\$ 1,800	\$ 1,673	\$ 127	7.1%
Supplies	\$ 4,091	\$ 3,280	\$ 811	24.7%	\$ 3,900	\$ 4,091	\$ (191)	-4.7%
Maintenance expenses	\$ 5,222	\$ 2,947	\$ 2,275	77.2%	\$ 5,950	\$ 5,222	\$ 728	13.9%
Equipment	\$ 4,414	\$ 2,739	\$ 1,675	61.2%	\$ 2,350	\$ 4,414	\$ (2,064)	-46.8%
Licenses & Fees	\$ 112	\$ 1,000	\$ (888)	-88.8%	\$ -	\$ 112	\$ (112)	0.0%
Chiefs incentive program	\$ -	\$ 2,000	\$ (2,000)	-100.0%	\$ 1,500	\$ -	\$ 1,500	0.0%
Payroll Expenses	\$ 3,875	\$ 2,448	\$ 1,427	58.3%	\$ 1,740	\$ 3,875	\$ (2,135)	-55.1%
<b>Total expense</b>	<b>\$ 57,632</b>	<b>\$ 48,512</b>	<b>\$ 9,120</b>	<b>18.8%</b>	<b>\$ 56,342</b>	<b>\$ 57,632</b>	<b>\$ (1,290)</b>	<b>-2.2%</b>
<b>Results of operations</b>	<b>\$ 55,281</b>	<b>\$ 62,760</b>	<b>\$ (7,479)</b>	<b>-11.9%</b>	<b>\$ 46,354</b>	<b>\$ 55,281</b>	<b>\$ (8,927)</b>	<b>-16.1%</b>
<b>Other Income</b>								
Grant/Donation Revenues	\$ -	\$ 9,338	\$ (9,338)	-100.0%	\$ -	\$ -	\$ -	0.0%
Interest Earnings	\$ 3,891	\$ 2,947	\$ 944	32.1%	\$ 1,272	\$ 3,891	\$ (2,619)	-67.3%
<b>Total Other Income</b>	<b>\$ 3,891</b>	<b>\$ 12,284</b>	<b>\$ (8,393)</b>	<b>-68.3%</b>	<b>\$ 1,272</b>	<b>\$ 3,891</b>	<b>\$ (2,619)</b>	<b>-67.3%</b>
<b>Other Expense</b>								
Deprecation	\$ 42,865	\$ 47,750	\$ (4,885)	-10.2%	\$ 47,750	\$ 42,865	\$ 4,885	11.4%
Interest Expense	\$ 9,508	\$ 10,230	\$ (722)	-7.1%	\$ 9,508	\$ 9,508	\$ -	0.0%
Fire Grant Expenses	\$ -	\$ 4,676	\$ (4,676)	0.0%	\$ -	\$ -	\$ -	0.0%
<b>Total Other Expense</b>	<b>\$ 52,373</b>	<b>\$ 62,656</b>	<b>\$ (10,283)</b>	<b>-16.4%</b>	<b>\$ 57,258</b>	<b>\$ 52,373</b>	<b>\$ 4,885</b>	<b>9.3%</b>
<b>Net Other Income/Expense</b>	<b>\$ (48,482)</b>	<b>\$ (50,371)</b>	<b>\$ 1,889</b>	<b>-3.8%</b>	<b>\$ (55,986)</b>	<b>\$ (48,482)</b>	<b>\$ (7,504)</b>	<b>15.5%</b>
<b>Net Income</b>	<b>\$ 6,799</b>	<b>\$ 12,389</b>	<b>\$ (5,590)</b>	<b>-45.1%</b>	<b>\$ (9,632)</b>	<b>\$ 6,799</b>	<b>\$ (16,431)</b>	<b>-241.7%</b>

### Revenues

Revenues for the department increased \$1,641. There was an increase in secured property taxes and the special property tax assessment which was offset by a decrease in other income.

### Expenses

Expenses for the department increased \$9,120 (18.8%). Assessment fees increased \$2,371 for one-time annexation fees. Insurance expenses increased \$1,686. Other variances include utilities, supplies, maintenance, equipment, and payroll for a special hire for secretarial services to

update fire department reporting software. There was a decrease in licenses and fees and the Chief's incentive fund was not utilized.

### Other Income

Grants and donations decreased \$9,338 and interest earnings increased \$944. Depreciation expenses decreased \$4,885, interest expenses decreased \$722, and fire grant expenses decreased \$4,676.

### Additional Budgetary Information

Additional budgetary information for the fire department can be found on page 36 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.

Grant expenses were not known at the time of budget development. The District develops an annual expenditure plan for capital 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 2017-2018 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>	<b>2017-2018</b>	<b>2018-2019</b>	<b>2019-2020</b>	<b>Increase/Decrease from prior year</b>
Current and Other Assets	\$ 657,441	\$ 619,407	\$ 601,861	\$ (17,546)
Capital and Fixed Assets	\$ 541,013	\$ 551,509	\$ 613,158	\$ 61,649
Current and other Liabilities	\$ 121,277	\$ 117,622	\$ 104,961	\$ (12,661)
Long Term Liabilities	\$ 519,000	\$ 489,851	\$ 459,909	\$ (29,942)
Total Net Assets	\$ 558,177	\$ 563,444	\$ 650,150	\$ 86,706
Net Assets - Beginning	\$ 515,585	\$ 558,175	\$ 563,441	\$ 5,266
Operating Revenues	\$ 465,779	\$ 487,461	\$ 593,937	\$ 106,475
Operating Expenses	\$ 398,210	\$ 455,555	\$ 476,750	\$ 21,195
Net Operating Income	\$ 67,570	\$ 31,906	\$ 117,187	\$ 85,280
Depreciation Expenses	\$ 24,979	\$ 26,639	\$ 30,481	\$ 3,842
Change in Net Assets	\$ 42,591	\$ 5,267	\$ 86,706	\$ 81,438
Net Assets - Ending	\$ 558,175	\$ 563,441	\$ 650,147	\$ 86,706

The water fund's net assets increased \$86,706 from the prior year. The reduction of long-term debt and an investment in capital projects (primarily the Anker Tank Replacement Project), account for a significant portion of this change. Operating revenues increased from the prior year due to increased rates and reimbursements for Anker Tank Replacement Project. Operating expenses increased due to the increased contract labor, line maintenance, and credit card processing fees.

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

<b>Sewer Fund</b>	<b>2017-2018</b>	<b>2018-2019</b>	<b>2019-2020</b>	<b>Increase/Decrease from prior year</b>
Current and Other Assets	\$ 20,627	\$ 53,624	\$ 119,574	\$ 65,950
Capital and Fixed Assets	\$ 1,865,965	\$ 1,789,851	\$ 1,712,967	\$ (76,884)
Current and other Liabilities	\$ 26,477	\$ 23,834	\$ 32,725	\$ 8,891
Long Term Liabilities	\$ 65,000	\$ 65,000	\$ 48,445	\$ (16,555)
<b>Total Net Assets</b>	<b>\$ 1,795,115</b>	<b>\$ 1,754,641</b>	<b>\$ 1,751,371</b>	<b>\$ (3,270)</b>
Net Assets - Beginning	\$ 1,987,432	\$ 1,844,046	\$ 1,754,641	\$ (89,405)
Operating Revenues	\$ 191,167	\$ 319,431	\$ 390,896	\$ 71,465
Operating Expenses	\$ 289,664	\$ 314,474	\$ 298,411	\$ (16,063)
Net Operating Income	\$ (98,497)	\$ 4,957	\$ 92,485	\$ 87,528
Depreciation Expenses	\$ 93,819	\$ 94,362	\$ 95,755	\$ 1,393
Change in Net Assets	\$ (192,316)	\$ (89,405)	\$ (3,270)	\$ 86,135
Net Assets - Ending	\$ 1,795,115	\$ 1,754,641	\$ 1,751,371	\$ (3,270)

The sewer fund's net assets decreased \$3,270 from the prior year. Net operating income was positive at \$92,485. Operational losses in prior fiscal years were significant and required a loan from the water district to remain cash positive in 2018. Increased treatment expenses accounted for most of the losses experienced in those 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. A rate study was initiated in April of 2018, and a new rate structure was adopted in December of 2018. Unfunded depreciation has historically been a challenge for the sewer fund, 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**

<b>Fire Fund</b>	<b>2017-2018</b>	<b>2018-2019</b>	<b>2019-2020</b>	<b>Increase/Decrease from prior year</b>
Current and Other Assets	\$ 180,339	\$ 219,609	\$ 224,224	\$ 4,614
Capital and Fixed Assets	\$ 486,195	\$ 466,076	\$ 428,801	\$ (37,273)
Current and other Liabilities	\$ 298	\$ 22,926	\$ 17,397	\$ (5,529)
Long Term Liabilities	\$ 231,255	\$ 215,389	\$ 181,459	\$ (33,930)
<b>Total Net Assets</b>	<b>\$ 434,981</b>	<b>\$ 447,370</b>	<b>\$ 454,170</b>	<b>\$ 6,800</b>
Net Assets - Beginning	\$ 432,064	\$ 434,981	\$ 447,370	\$ 12,389
Operating Revenues	\$ 114,563	\$ 123,556	\$ 116,804	\$ (6,752)
Operating Expenses	\$ 66,052	\$ 63,417	\$ 67,139	\$ 3,722
Net Operating Income	\$ 48,511	\$ 60,139	\$ 49,665	\$ (10,475)
Depreciation Expenses	\$ 45,594	\$ 47,750	\$ 42,865	\$ (4,885)
Change in Net Assets	\$ 2,917	\$ 12,389	\$ 6,800	\$ (5,590)
Net Assets - Ending	\$ 434,981	\$ 447,370	\$ 454,169	\$ 6,800

The fire fund's net assets increased \$6,800 from the prior year. There was a small increase in property tax revenue, a decrease in revenue from Cal-Fire, and improved interest earning. Operating expenses increased slightly from the prior fiscal year.

**TABLE 10  
CAPITAL ASSETS PROPERTY & EQUIPMENT**

	FY 2018-2019	FY 2019-2020	Difference
<b>Water</b>			
Land	\$ 6,461	\$ 6,461	\$0
Water System Infrastructure	\$ 1,897,272	\$ 1,989,402	\$92,130
<b>Sewer</b>			
Land	\$ 20,860	\$ 20,860	\$0
Sewer System Infrastructure	\$ 4,001,893	\$ 4,020,763	\$18,870
<b>Fire</b>			
Land	\$ 5,106	\$ 5,106	\$0
Buildings	\$ 367,424	\$ 367,424	\$0
Equipment - Trucks, Clothing, Radios, Tools	\$ 755,450	\$ 761,040	\$5,591
<b>Total Property &amp; Equipment</b>	<b>\$ 7,054,466</b>	<b>\$ 7,171,057</b>	<b>\$116,591</b>
Less Accumulated Depreciation	\$ (4,247,030)	\$ (4,416,131)	(\$169,101)
<b>Total Property &amp; Equipment (net of depreciation)</b>	<b>\$ 2,807,436</b>	<b>\$ 2,754,925</b>	<b>(\$52,510)</b>

**Capital Assets**

The District had \$2.75 million (net of accumulated depreciation) invested in a broad range of utility capital assets as of June 30, 2020. 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 2018-2019	FY 2019-2020	Difference
<b>Water</b>			
L/T Davis Grunsky Loan	\$ 268,018	\$ 250,920	(\$17,098)
L/T Davis Grunsky Deferred Interest	\$ 45,097	\$ 41,869	(\$3,228)
L/T I-Bank	\$ 176,736	\$ 167,120	(\$9,616)
<b>Total L/T Notes - Water</b>	<b>\$ 489,851</b>	<b>\$ 459,909</b>	<b>(\$29,942)</b>
<b>Sewer</b>			
L/T Sewer to Water - Cash Flow	\$ 56,907	\$ 48,445	(\$8,461)
<b>Total L/T Notes - Sewer</b>	<b>\$ 56,907</b>	<b>\$ 48,445</b>	<b>\$ (8,461)</b>
<b>Fire</b>			
L/T Fire to Water - Firehouse Expansion	\$ 127,189	\$ 120,494	(\$6,695)
L/T Fire to Water - Truck	\$ 71,612	\$ 60,964	(\$10,648)
<b>Total L/T Notes - Fire</b>	<b>\$ 198,801</b>	<b>\$ 181,459</b>	<b>(\$17,343)</b>
<b>Total L/T Notes Payable</b>	<b>\$ 745,559</b>	<b>\$ 689,813</b>	<b>\$ (55,746)</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 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.

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 was held on November 13, 2018. The rate increase was approved 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 purpose of the loan was to maintain a positive cash balance in the sewer fund. In June of 2019 the board by resolution authorized a loan amount of \$65,000, for a period of seven years at an interest rate of 4.5%.

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

On April 2, 2020, Governor Newsom signed an executive order restricting water shutoff to small businesses and residences for non-payment due to COVID-19. As of November 30, 2020, the District has experienced a \$6,400 increase in the balance of delinquent accounts. An increase of 238%. The District's reservation for delinquent accounts for the fiscal year 2020 is \$7,912. Federal and State resources to fund low-income utility expenses have not thus far been successful. The District's reservation for delinquent accounts may increase substantially for the fiscal year 2021.



### **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**

**FLDDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF NET POSITION**  
**June 30, 2020**

	Governmental Activities	Business-Type Activities	Totals
<b>Assets</b>			
Current Assets:			
Cash in Checking	\$ -	\$ 29,498	\$ 29,498
Cash in Savings	615	232,328	232,943
Cash in LAIF	-	1,689	1,689
Cash in County Treasury	142,971	-	142,971
Undeposited Cash	-	1,767	1,767
Accounts Receivable - Net	-	77,094	77,094
Grant and Other Receivables	2,862	72,294	75,156
Interest Receivable	900	174	1,074
Prepaid Expenses	2,078	884	2,962
Total Current Assets	<u>149,426</u>	<u>415,728</u>	<u>565,154</u>
Capital Assets:			
Land	5,106	6,351	11,457
Rights-of-Way	-	20,970	20,970
Sewage Collection System	-	4,011,786	4,011,786
Building and Equipment	1,128,464	55,384	1,183,848
Water Distribution System	-	1,942,996	1,942,996
Less Accumulated Depreciation	<u>(704,769)</u>	<u>(3,711,362)</u>	<u>(4,416,131)</u>
Capital Assets Net of Accumulated Depreciation	<u>428,801</u>	<u>2,326,125</u>	<u>2,754,926</u>
Other Assets			
Interfund Loans Receivable/(Payable)	(198,801)	198,801	-
Board Designated Cash - Fire Debt Service and Water Rate Stabilization Reserves	<u>74,797</u>	<u>50,000</u>	<u>124,797</u>
Total Other Assets	<u>(124,004)</u>	<u>248,801</u>	<u>124,797</u>
 Total Assets	 <u>454,223</u>	 <u>2,990,654</u>	 <u>3,444,877</u>
<b>Liabilities</b>			
Current Liabilities:			
Accounts Payable	59	92,830	92,889
Accrued Payroll	-	1,062	1,062
Customer Deposits	-	2,628	2,628
Interest Payable	-	2,767	2,767
Current Portion of Notes Payable	-	26,714	26,714
Current Portion of Deferred Interest	-	3,228	3,228
Total Current Liabilities	<u>59</u>	<u>129,229</u>	<u>129,288</u>
Non-Current Liabilities:			
Notes Payable, Net of Current Portion	-	418,040	418,040
Deferred Interest Payable, Net of Current Portion	-	41,869	41,869
Total Non-Current Liabilities	<u>-</u>	<u>459,909</u>	<u>459,909</u>
Total Liabilities	<u>59</u>	<u>589,138</u>	<u>589,197</u>
<b>Net Position</b>			
Net investment in Capital Assets	428,801	1,836,274	2,265,075
Unrestricted	<u>25,363</u>	<u>565,242</u>	<u>590,605</u>
Total Net Position	<u>\$ 454,164</u>	<u>\$ 2,401,516</u>	<u>\$ 2,855,680</u>

See accompanying notes.

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION**  
**For the Year Ended June 30, 2020**

	Program Revenues		Net (Expense) Revenue			
	Expenses	Charges For Services	Capital Grants And Contributions	Governmental Activities	Business-Type Activities	Totals
Functions/Programs:						
Governmental Activities:						
Fire Protection	\$ 110,006	\$ -	\$ -	\$ (110,006)	\$ -	\$ (110,006)
Total Governmental Activities	<u>110,006</u>	<u>-</u>	<u>-</u>	<u>(110,006)</u>	<u>-</u>	<u>(110,006)</u>
Business-Type Activities:						
Water	503,084	500,426	72,294	-	69,636	69,636
Sewer	390,747	387,065	-	-	(3,682)	(3,682)
Total Business-Type Activities	<u>893,831</u>	<u>887,491</u>	<u>72,294</u>	<u>-</u>	<u>65,954</u>	<u>65,954</u>
Total	<u>\$ 1,003,837</u>	<u>\$ 887,491</u>	<u>\$ 72,294</u>	<u>\$ (110,006)</u>	<u>\$ 65,954</u>	<u>\$ (44,052)</u>
Change in Net Position:						
Net (Expense) Revenue				<u>\$ (110,006)</u>	<u>\$ 65,954</u>	<u>\$ (44,052)</u>
General Revenues:						
Taxes:						
Current Secured Taxes				61,378	-	61,378
Current Unsecured Taxes				3,432	-	3,432
Prior Year Taxes				1,030	-	1,030
Timber Yield Tax				141	-	141
Proposition 172 Revenue				1,089	-	1,089
Homeowners' Exemptions				702	-	702
Property Tax Assessments				41,588	-	41,588
Miscellaneous Income				3,554	2,439	5,993
Unrestricted Investment Earnings				3,891	15,041	18,932
Total Revenues				<u>116,805</u>	<u>17,480</u>	<u>134,285</u>
Change in Net Position				6,799	83,434	90,233
Net Position - Beginning of Year				<u>447,365</u>	<u>2,318,082</u>	<u>2,765,447</u>
Net Position - End of Year				<u>\$ 454,164</u>	<u>\$ 2,401,516</u>	<u>\$ 2,855,680</u>

See accompanying notes.

**FLDDBROOK GLENDALF COMMUNITY SERVICES DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUND**  
**June 30, 2020**

**Assets**

Cash in Savings	\$	615
Cash in County Treasury		217,768
Grant Receivable		2,862
Interest Receivable		900
Prepaid Expenses		2,078
		<u>2,078</u>

Total Assets	\$	224,223
		<u>224,223</u>

**Liabilities and Fund Balance**

Liabilities:

Accounts Payable	\$	59
Interfund Loans Payable		198,801
Total Liabilities		<u>198,860</u>

Fund Balance - Committed		<u>25,363</u>
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Total Liabilities and Fund Balance	\$	224,223
		<u>224,223</u>

Total Fund Balance - Government Fund	\$	25,363
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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:

428,801

Net Position - Governmental Activities	\$	<u>454,164</u>
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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, 2020**

**Revenues**

General Revenues:	
Current Secured Taxes	\$ 61,378
Current Unsecured Taxes	3,432
Prior Year Taxes	1,030
Timber Yield Tax	141
Proposition 172 Revenue	1,089
Homeowners' Exemptions	702
Property Tax Assessments	<u>41,588</u>
Total General Revenues	109,360
Miscellaneous Income	3,554
Unrestricted Investment Earnings	<u>3,891</u>
Total Revenues	<u><u>116,805</u></u>

**Expenditures**

Fire Protection:	
Current	
Chief's Expenses	599
Insurance	18,771
Professional Services	4,825
Dues and Memberships	2,820
Utilities	8,751
Transportation and Travel	1,672
Supplies	4,092
Maintenance	5,222
Equipment and Small Tools	4,413
Benefit Assessment Collection Fee	2,481
Licenses	112
Payroll	3,875
Capital Outlay	5,591
Interest on Interfund Loan	<u>9,508</u>
Total Fire Protection Expenditures	<u><u>72,732</u></u>
Excess of Expenditures over Revenues	44,073
Fund Balance, Beginning of Year	<u>(18,710)</u>
Fund Balance, End of Year	<u><u>\$ 25,363</u></u>

Net Change in Fund Balance - Governmental Fund \$ 44,073

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 (42,865)

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

5,591

Change in Net Position - Governmental Activities \$ 6,799

See accompanying notes.

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2020**

	Water Fund	Sewer Fund	Total
<b>Assets</b>			
Current Assets:			
Cash in Checking	\$ 29,498	\$ -	\$ 29,498
Cash in Savings	146,643	85,685	232,328
Cash in LAIF	1,689	-	1,689
Undeposited Cash	1,767	-	1,767
Accounts Receivable - Net	43,618	33,476	77,094
Interest Receivable	174	-	174
Other Grant Receivable	72,294	-	72,294
Prepaid Expenses	471	413	884
Total Current Assets	<u>296,154</u>	<u>119,574</u>	<u>415,728</u>
Capital Assets:			
Land	6,351	-	6,351
Rights-of-Way	110	20,860	20,970
Sewage Collection System	-	4,011,786	4,011,786
Buildings and Equipment	46,406	8,978	55,384
Water Distribution System	1,942,996	-	1,942,996
Less Accumulated Depreciation	<u>(1,382,705)</u>	<u>(2,328,657)</u>	<u>(3,711,362)</u>
Capital Assets, Net of Accumulated Depreciation	<u>613,158</u>	<u>1,712,967</u>	<u>2,326,125</u>
Other Assets			
Interfund Loans Receivable	198,801	-	198,801
Advances to Sewer Fund	56,907	-	56,907
Board Designated Cash - Water Rate Stabilization Reserve	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total Other Assets	<u>305,708</u>	<u>-</u>	<u>305,708</u>
Total Assets	<u>1,215,020</u>	<u>1,832,541</u>	<u>3,047,561</u>
<b>Liabilities</b>			
Current Liabilities:			
Accounts Payable	69,491	23,339	92,830
Accrued Payroll	1,062	-	1,062
Customer Deposits	1,704	924	2,628
Interest Payable	2,767	-	2,767
Due to Water Fund	-	8,461	8,461
Current Portion of Notes Payable	26,714	-	26,714
Current Portion of Deferred Interest Payable	<u>3,228</u>	<u>-</u>	<u>3,228</u>
Total Current Liabilities	<u>104,966</u>	<u>32,724</u>	<u>137,690</u>
Non-Current Liabilities:			
Notes Payable, Net of Current Portion	418,040	-	418,040
Advances from Water Fund	-	48,446	48,446
Deferred Interest Payable, Net of Current Portion	<u>41,869</u>	<u>-</u>	<u>41,869</u>
Total Non-Current Liabilities	<u>459,909</u>	<u>48,446</u>	<u>508,355</u>
Total Liabilities	<u>564,875</u>	<u>81,170</u>	<u>646,045</u>
<b>Net Position</b>			
Net Investment in Capital Assets	123,307	1,712,967	1,836,274
Unrestricted	526,838	38,404	565,242
Total Net Position	<u>\$ 650,145</u>	<u>\$ 1,751,371</u>	<u>\$ 2,401,516</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, 2020**

	Water Fund	Sewer Fund	Total
Operating Revenues:			
Water Sales and Sewer Charges	\$ 485,284	\$ 378,788	\$ 864,072
Late Fees	3,885	3,096	6,981
Installation and Permit Fees	15,405	8,600	24,005
Adjustments and Bad Debts	(4,148)	(3,419)	(7,567)
Total Operating Revenues	<u>500,426</u>	<u>387,065</u>	<u>887,491</u>
Operating Expenses:			
Purchased Water and Sewer Service	172,754	154,598	327,352
Directors' Fees	2,995	-	2,995
Contract Labor and Administration	232,686	81,083	313,769
Insurance	3,245	2,641	5,886
Professional Services	4,825	4,825	9,650
Dues and Memberships	977	977	1,954
Utilities	11,331	12,728	24,059
Fuel	-	823	823
Depreciation	30,481	95,755	126,236
Property Taxes	225	324	549
Supplies	1,237	1,260	2,497
Maintenance	8,679	695	9,374
Equipment	1,037	1,037	2,074
Bank Charges	2,584	1,988	4,572
Miscellaneous	3,637	3,491	7,128
Payroll	12,118	25,687	37,805
Total Operating Expenses	<u>488,811</u>	<u>387,912</u>	<u>876,723</u>
Operating Income (Loss)	11,615	(847)	10,768
Non-operating Revenues (Expenses):			
Miscellaneous Revenue	2,439	-	2,439
Grants	72,294	-	72,294
Interest Revenue	14,629	412	15,041
Interest Expense	(14,273)	(2,835)	(17,108)
Changes in Net Position	86,704	(3,270)	83,434
Net Position - Beginning of Year	<u>563,441</u>	<u>1,754,641</u>	<u>2,318,082</u>
Net Position - End of Year	<u>\$ 650,145</u>	<u>\$ 1,751,371</u>	<u>\$ 2,401,516</u>

See accompanying notes.



**FLDDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2020**

	Water Fund	Sewer Fund	Total
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 508,513	\$ 380,681	\$ 889,194
Cash Paid for Operating Expenses	(459,788)	(265,620)	(725,408)
Cash Paid to Employees for Services	(11,056)	(25,687)	(36,743)
Net Cash Provided (Used) by Operating Activities	37,669	89,374	127,043
Cash Flows from Capital and Related Financing Activities:			
Equipment Purchases	(92,130)	(18,871)	(111,001)
Principal Payments on Notes Payable	(25,921)	-	(25,921)
Interest Payments on Notes Payable	(17,634)	(2,835)	(20,469)
Net Cash Provided (Used) in Capital and Related Financing Activities	(135,685)	(21,706)	(157,391)
Cash Flows from Investing Activities:			
Interest Received	14,755	412	15,167
Principal payments on Interfund Loan to Sewer Fund	8,093	(8,093)	-
Principal payments on Interfund Loan to Fire Fund	16,588	-	16,588
Net Cash Provided (Used) by Investing Activities	39,436	(7,681)	31,755
Increase (Decrease) in Cash and Cash Equivalents	(58,580)	59,987	1,407
Cash, Beginning of Year	288,177	25,698	313,875
Cash, End of Year (Note 2)	\$ 229,597	\$ 85,685	\$ 315,282
Operating Income (Loss)	\$ 11,615	\$ (847)	\$ 10,768
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows Provided by Operating Activities:			
Depreciation	30,481	95,755	126,236
Miscellaneous Income	2,439	-	2,439
Change in Assets and Liabilities:			
Accounts Receivable	6,922	(5,550)	1,372
Prepaid Expenses	(471)	(413)	(884)
Accounts Payable	(13,105)	1,263	(11,842)
Accrued Payroll	1,062	-	1,062
Customer Deposits	(1,274)	(834)	(2,108)
Net Cash Flows Provided (used) by Operating Activities	\$ 37,669	\$ 89,374	\$ 127,043

See accompanying notes.

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**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 the 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, 2020**

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.

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. The hierarchy is split between four different types of fund balances, Restricted, Committed, Assigned and Unassigned. As of June 30, 2020, fund balances for the governmental general fund consist of a committed fund balance.

Committed Fund Balance – The category includes amounts that can be used only for the specific purpose determined by the Board of Directors. Commitments may be changed or lifted only by the Board of Directors taking the same formal action. The formal action must occur prior to the end of the reporting period. The amount which will be subject to the constraint may be determined in the subsequent period.

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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.

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.

**FLDDBROOK GLENDALD COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**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.

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.

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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. 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, 2020, consist of the following:

		<u>General Fund - Fire District</u>		
Commercial Account		\$	615	
Pooled Funds Humboldt County – Board Designated			74,797	
Pooled Investment Funds Humboldt County			<u>142,971</u>	
<b>Total Cash and Investment Funds General Fund</b>			<u><b>\$ 218,383</b></u>	
		<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
Commercial Accounts:				
Checking	\$ 29,498	\$ -	\$ 29,498	
Savings	146,643	85,685	232,328	
Undeposited	1,767	-	1,767	
	<u>177,908</u>	<u>85,685</u>	<u>263,593</u>	
Pooled Investment Funds:				
Local Agency Investment Fund (LAIF)	1,689	-	1,689	
Board Designated (LAIF)	50,000	-	50,000	
Total LAIF	<u>51,689</u>	<u>-</u>	<u>51,689</u>	
<b>Total Cash and Investment Funds Enterprise Funds</b>	<u><b>\$ 229,597</b></u>	<u><b>\$ 85,685</b></u>	<u><b>\$ 315,282</b></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, 2020, \$69,428 of the District's bank balance in Coast Central Credit Union was exposed to custodial credit risk.

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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 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, 2020, consists of the following:

	<u>Water</u>	<u>Enterprise Funds</u> <u>Sewer</u>	<u>Total</u>
Accounts Receivable per HBMWD			
Utility Billing Aging Report	\$ 45,943	\$ 36,435	\$ 82,378
Customer Deposits per Report	1,704	924	2,628
Allowance for Uncollectable Accounts	<u>(4,029)</u>	<u>(3,883)</u>	<u>(7,912)</u>
Accounts Receivable - Net	<u>\$ 43,618</u>	<u>\$ 33,476</u>	<u>\$ 77,094</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, 2020, is as follows:

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

	Balance 6/30/19	Additions	Deletions	Balance 6/30/20
Capital Assets Not Depreciated:				
Land	\$ 5,106	\$ -	\$ -	\$ 5,106
Capital Assets Being Depreciated:				
Building	367,423	-	-	367,423
Furniture and Equipment	755,450	5,591	-	761,041
Total Capital Assets Being Depreciated	1,122,873	5,591	-	1,128,464
Less: Accumulated Depreciation	(661,904)	(42,865)	-	(704,769)
Capital Assets Being Depreciated, Net	460,969	(37,274)	-	423,695
Investment in Capital Assets	\$ 466,075	\$ (37,274)	\$ -	\$ 428,801

Depreciation expense of \$42,865 was charged to the General Fund - Fire Department for the year ended June 30, 2020.

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, 2020, is as follows:

	Balance 6/30/19	Additions	Deletions	Balance 6/30/20
<u>Water Fund</u>				
Capital Assets not Depreciated:				
Land	\$ 6,351	\$ -	\$ -	\$ 6,351
Right-of-Way	110	-	-	110
Total Capital Assets Not Depreciated	6,461	-	-	6,461
Capital Assets Being Depreciated:				
Buildings and Equipment	46,406	-	-	46,406
Water Distribution System	1,850,866	92,130	-	1,942,996
Less: Accumulated Depreciation	(1,352,224)	(30,481)	-	(1,382,705)
Capital Assets Being Depreciated, Net	545,048	61,649	-	606,697
Net Property, Plant and Equipment	551,509	61,649	-	613,158
Related Debt	(519,000)	-	29,149	(489,851)
Investment in Capital Assets, Net of Related Debt	\$ 32,509	\$ 61,649	\$ 29,149	\$ 123,307
<u>Sewer Fund</u>				
Capital Assets Not Depreciated:				
Right-of-Way	\$ 20,860	\$ -	\$ -	\$ 20,860
Capital Assets Being Depreciated:				
Buildings and Equipment	8,978	-	-	8,978
Sewage Collection System	3,992,915	18,871	-	4,011,786
Less: Accumulated Depreciation	(2,232,902)	(95,755)	-	(2,328,657)
Capital Assets Being Depreciated, Net	1,768,991	(76,884)	-	1,692,107
Investment in Capital Assets, Net	\$ 1,789,851	\$ (76,884)	\$ -	\$ 1,712,967

Depreciation expense of \$30,481 and \$95,755 was charged to Water and Sewer Fund operations, respectively, for the year ended June 30, 2020.



**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**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, 2020, 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% per annum as of June 30, 2020, with annual interest rate reviews, is payable in semi-annual installments with the loan maturing on June 30, 2026.

In June of 2018 the Water Fund advanced \$65,000 to the Sewer Fund to cover cash deficits caused by an infiltration of liquids into the sewer system that significantly increased effluent processing costs. In the prior year it was discovered that a large commercial customer had hooked up to the sewer system without the District's knowledge. With this finding the District does not anticipate that the Sewer Fund will need additional cash. As such, the District formalized a loan from the Water Fund to the Sewer Fund. The loan, bearing interest at 4.50% per annum as of June 30, 2020, with annual interest rate reviews, is payable 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 payments 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, 2020, is as follows:

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
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	<u>Balance 6/30/19</u>	<u>Advance</u>	<u>Payment</u>	<u>Balance 6/30/20</u>
Fire Fund				
Interfund Loans from				
Water Fund	\$ 215,389	\$ -	\$ (16,588)	\$ 198,801
Less: Current Portion	<u>(16,588)</u>	<u>-</u>	<u>(755)</u>	<u>(17,343)</u>
Long-term Liabilities	<u>\$ 198,801</u>	<u>\$ -</u>	<u>\$ (17,343)</u>	<u>\$ 181,458</u>

The activity for the long-term obligations, for the business-type activities for the year ended June 30, 2020, is as follows:

	<u>Balance 6/30/19</u>	<u>Advance</u>	<u>Payment</u>	<u>Balance 6/30/20</u>
Sewer Fund				
Due to Water Fund	\$ 65,000	\$ -	\$ (8,093)	\$ 56,907
Water Fund				
I-Bank	185,976	-	(9,240)	176,736
DG Principal	284,699	-	(16,681)	268,018
DG Deferred Interest	<u>48,325</u>	<u>-</u>	<u>(3,228)</u>	<u>45,097</u>
Total	584,000	-	(37,242)	546,758
Less: Current Portion	<u>(37,242)</u>	<u>-</u>	<u>(1,161)</u>	<u>(38,403)</u>
Long-term Liabilities	<u>\$ 546,758</u>	<u>\$ -</u>	<u>\$ (38,403)</u>	<u>\$ 508,355</u>

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>
2021	\$ 6,695	\$ 5,649
2022	6,999	5,345
2023	7,318	5,026
2024	7,651	4,693
2025	7,999	4,345
2026 to 2030	45,798	15,921
2031 to 2035	<u>44,729</u>	<u>4,646</u>
Total	127,189	45,625
Due within one year	<u>(6,695)</u>	<u>(5,649)</u>
Due after one year	<u>\$ 120,494</u>	<u>\$ 39,976</u>

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

Interfund Loan from Water Fund to Fire Fund - Water Tender

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 10,648	\$ 3,104
2022	11,132	2,619
2023	11,639	2,113
2024	12,169	1,583
2025	12,722	1,030
2026	<u>13,302</u>	<u>451</u>
Total	71,612	10,900
Due within one year	<u>(10,648)</u>	<u>(3,104)</u>
Due after one year	<u>\$ 60,964</u>	<u>\$ 7,796</u>

California Infrastructure and Economic Development Bank

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 9,616	\$ 6,567
2022	10,007	6,193
2023	10,414	5,803
2024	10,838	5,397
2025	11,279	4,974
2026 to 2030	63,668	17,909
2031 to 2033	<u>60,914</u>	<u>4,770</u>
Total	176,736	51,613
Due within one year	<u>(9,616)</u>	<u>(6,567)</u>
Due after one year	<u>\$ 167,120</u>	<u>\$ 45,046</u>

Davis Grunsky

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Deferred Interest</u>
2021	\$ 17,098	\$ 6,479	\$ 3,228
2022	17,526	6,056	3,228
2023	17,964	5,612	3,228
2024	18,413	5,164	3,228
2025	18,873	4,685	3,228
2026 to 2030	101,685	16,134	16,140
2031 to 2033	<u>76,459</u>	<u>3,360</u>	<u>12,817</u>
Total	268,018	47,490	45,097
Due within one year	<u>(17,098)</u>	<u>(6,479)</u>	<u>(3,228)</u>
Due after one year	<u>\$ 250,920</u>	<u>\$ 41,011</u>	<u>\$ 41,869</u>

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

Interfund Loan from Water Fund to Sewer Fund

Year Ending June 30	Principal	Interest
2021	\$ 8,461	\$ 2,467
2022	8,847	2,082
2023	9,249	1,679
2024	9,670	1,258
2025	10,110	818
2026	<u>10,570</u>	<u>358</u>
Total	56,907	8,662
Due within one year	<u>(8,461)</u>	<u>(2,467)</u>
Due after one year	<u>\$ 48,446</u>	<u>\$ 6,195</u>

**NOTE 6 – 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.

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 7 – 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

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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 and sunsets in the 2024-2025 fiscal year. Property taxes are used to fund governmental activities which are fire protection and emergency response.

**NOTE 8 – 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. A modified agreement was adopted by the District's Board of Directors on November 17, 2020. The agreement was modified to reflect changes to the City of Arcata's

**FLDDBROOK GLENDALD COMMUNITY SERVICES DISTRICT**  
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Municipal Code and requirements of the State Water Resources Control Board. No changes were made to the effluent limits or user charges.

**NOTE 9 – RELATED PARTY TRANSACTIONS**

The District paid \$461.24 to Central Avenue Service Station for battery cables and fire truck maintenance. Central Avenue Service Station is owned by Richard Grissom, a District Board Member.

**NOTE 10 – 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 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 department's 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 \$74,797.

**NOTE 11 – RATE STABILIZATION**

In November 2015, 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.

In November 2018, resolution #2018-07 was approved by the District's Board. The resolution allows for an automatic rate adjustment based on the pass-through of wastewater treatment costs. The Ordinance will sunset five years from the date adoption pursuant to California Government Code, Section 53755.

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

In August of 2019, the board adopted a resolution authorizing the general manager to execute on behalf of the district an application to the FEMA Hazard Mitigation Grant Program and Pre-Disaster Mitigation Program for the FGCS D Water Tank Seismic Retrofit Project. The project will place a new 400,000-gallon water tank adjacent to the existing redwood water tank located on Anker Lane. The total project is estimated to be \$1,258,970. FEMA will fund 75% of the project, \$944,227. The district applied for and has received a grant from the North Coast Resource Partnership to fund the local match requirement of \$314,743. The project is broken into two phases, phase one consists of planning, design, engineering, and environmental documentation. Phase two is construction and implementation. The district is currently in phase one and expended \$74,294 in fiscal year 2020, which has been booked as a grant receivable is and expected to be fully reimbursed. Phase two is scheduled to begin in March of 2021 and to be completed in October of 2021.

On April 2, 2020, Governor Newsom signed an executive order restricting water shutoff to small businesses and residences for non-payment due to COVID-19. As of November 30, 2020, the District has experienced a \$6,400 increase in the balance of delinquent accounts. An increase of 238%. The District's reservation for delinquent accounts for the fiscal year 2020 is \$7,912. Federal and State resources to fund low-income utility expenses have not thus far been successful. The District's reservation for delinquent accounts may increase substantially for the fiscal year 2021, but is not expected to have a material effect on the District.

**NOTE 13 – SUBSEQUENT EVENTS**

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through December 15, 2020, the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**



**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GOVERNMENTAL FUND  
For the Year Ended June 30, 2020**

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Positive (Negative) Variance
Revenues				
General Revenues	\$ 103,477	\$ 103,515	\$ 109,360	\$ 5,845
Other Revenue	100	1,781	3,554	1,773
Unrestricted Investment Earnings	2,900	665	3,891	3,226
	<u>106,477</u>	<u>105,961</u>	<u>116,805</u>	<u>10,844</u>
Revenues				
Expenditures:				
Chief's Expenses	599	599	599	-
Insurance	18,862	18,771	18,771	-
Interest	9,508	9,872	9,508	364
Professional Services	4,558	4,825	4,825	-
Dues and Memberships	2,673	2,682	2,820	(138)
Utilities	7,900	8,249	8,751	(502)
Transportation and Travel	1,360	1,945	1,672	273
Supplies	2,985	3,913	4,092	(179)
Maintenance	4,400	1,676	5,222	(3,546)
Equipment and Small Tools	4,550	6,173	4,413	1,760
Capital Purchases	-	-	5,591	(5,591)
Benefit Assessment Fee	113	775	2,481	(1,706)
Chief's Incentive Program	2,000	-	-	-
Licenses	-	112	112	-
Payroll	1,686	1,896	3,875	(1,979)
	<u>61,194</u>	<u>61,488</u>	<u>72,732</u>	<u>(11,244)</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 45,283</u>	<u>\$ 44,473</u>	<u>44,073</u>	<u>\$ (400)</u>
Fund Balance, Beginning of Year			(18,710)	
Fund Balance, End of Year			<u>\$ 25,363</u>	
Total Fund Balance - Government Fund			<u>\$ 25,363</u>	
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:			428,801	
Net Position of Governmental Activities			<u>\$ 454,164</u>	
Net Change in Fund Balance - Government Fund			<u>\$ 44,073</u>	
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:			(42,865)	
Depreciation			5,591	
Governmental funds report capital outlays as expenditures since they require the use of current financial resources. Capital outlays for the current period were:			<u>5,591</u>	
Change in Net Position of Governmental Activities			<u>\$ 6,799</u>	

See independent auditors' report.