

FLDDBROOK GLENDALF COMMUNITY SERVICES DISTRICT

BASIC FINANCIAL STATEMENTS

AND

REQUIRED SUPPLEMENTARY INFORMATION

As of and for the Year Ended June 30, 2017

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 13
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position	14
Statement of Activities and Changes in Net Position	15
Balance Sheet – Governmental Fund	16
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund	17
Statement of Net Position – Proprietary Funds	18
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	19
Statement of Cash Flows – Proprietary Funds	20
Notes to Financial Statements	21 - 32
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule – Governmental Fund	33

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, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-13 and 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Hunter, Hunter & Hunt

October 30, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis For Fiscal Year Ending June 30, 2017

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, 2017. 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 that 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 2016-17			FY 2015-16			Change	
	Governmental	Business Type	Total	Governmental	Business Type	Total	\$	%
	(Fire)	(Water/Sewer)		(Fire)	(Water/Sewer)			
Current and other assets	\$ 135,234	\$ 370,538	\$ 505,772	\$ 118,070	\$ 491,670	\$ 609,740	\$ (103,968)	-17.05%
Board designated assets	\$ 30,695	\$ 50,000	\$ 80,695	\$ 15,347	\$ 50,000	\$ 65,347	\$ 15,348	23.49%
Notes Receivable/Payable	\$ (246,430)	\$ 246,430	\$ -	\$ (261,459)	\$ 261,459	\$ -	\$ -	0%
Capital/Fixed assets	\$ 513,246	\$ 2,501,425	\$ 3,014,671	\$ 550,965	\$ 2,541,708	\$ 3,092,673	\$ (78,002)	-2.52%
Total Assets	\$ 432,745	\$ 3,168,393	\$ 3,601,138	\$ 422,923	\$ 3,344,837	\$ 3,767,760	\$ (166,622)	-4.42%
Current and other liabilities	\$ 680	\$ 117,994	\$ 118,674	\$ 8,785	\$ 108,008	\$ 116,793	\$ 1,881	1.61%
Long term liabilities	\$ -	\$ 547,381	\$ 547,381	\$ -	\$ 575,018	\$ 575,018	\$ (27,637)	-4.81%
Total Liabilities	\$ 680	\$ 665,375	\$ 666,055	\$ 8,785	\$ 683,026	\$ 691,811	\$ (25,756)	-3.72%
Investment in capital assets (net of related debt)	\$ 513,246	\$ 1,926,407	\$ 2,439,653	\$ 550,965	\$ 1,939,775	\$ 2,490,740	\$ (51,087)	-2.05%
Unrestricted	\$ (111,876)	\$ 526,611	\$ 414,735	\$ (152,174)	\$ 672,036	\$ 519,862	\$ (105,127)	-20.22%
Board Assigned	\$ 30,695	\$ 50,000	\$ 80,695	\$ 15,347	\$ 50,000	\$ 65,347	\$ 15,348	23.49%
Net Position	\$ 432,065	\$ 2,503,018	\$ 2,935,083	\$ 414,138	\$ 2,661,811	\$ 3,075,949	\$ (140,866)	-4.58%

The district’s net position for all funds as of June 30, 2017, was \$2,935,083, a decrease of \$140,866 (4.58%) as compared to June 30, 2016. Current and other assets include cash in banks, accounts receivable, grants and other receivables and pre-paid expenses. Current and other assets decreased \$103,968 (17.05%) as compared to June 30, 2016.

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 and equipment, the sewage collection system and the water distribution system. The value of these investments in capital assets with the exception of 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 \$3,014,671 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 the 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. The board has also has a reserve of \$30,695 for future fire debt payments.

TABLE 2
CONDENSED STATEMENTS OF NET POSITION BY FUND
JUNE 30, 2017

	Water	Sewer	Fire	Total
Current and other assets	\$ 321,500	\$ 49,038	\$ 135,234	\$ 505,772
Capital/Fixed assets	\$ 541,641	\$ 1,959,784	\$ 513,246	\$ 3,014,671
Notes Receivable/Payable	\$ 246,430		\$ (246,430)	\$ 0
Board Assigned	\$ 50,000		\$ 30,695	\$ 80,695
Total Assets	\$ 1,159,572	\$ 2,008,821	\$ 432,744	\$ 3,601,137
Current and other liabilities	\$ 96,604	\$ 21,390	\$ 680	\$ 118,674
Long Term Liabilities	\$ 547,381	\$ -		\$ 547,381
Total Liabilities	\$ 643,985	\$ 21,390	\$ 680	\$ 666,055
Investment in capital assets net of related debt	\$ (33,377)	\$ 1,959,784	\$ 513,246	\$ 2,439,653
Unrestricted	\$ 498,963	\$ 27,648	\$ (111,877)	\$ 414,735
Board Assigned	\$ 50,000		\$ 30,695	\$ 80,695
Total Net Assets	\$ 515,586	\$ 1,987,431	\$ 432,064	\$ 2,935,082

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

Results of Operations

TABLE 3
CONDENSED STATEMENT RESULTS OF OPERATIONS
JUNE 30, 2017

	Water	Sewer	Fire	Total
Revenues:				
Charges for services	\$ 454,982	\$ 192,744		\$ 647,726
Taxes and assessments			\$ 96,710	\$ 96,710
Unrestricted investment earnings	\$ 11,936	\$ 720	\$ 1,598	\$ 14,253
In Kind/Grant Revenue			\$ 12,850	\$ 12,850
Other Income			\$ 14,488	\$ 14,488
Total Revenues	\$ 466,918	\$ 193,464	\$ 125,645	\$ 786,027
Expenses:				
Water/Sewer services	\$ 421,281	\$ 287,428		\$ 708,709
Public Safety			\$ 62,111	\$ 62,111
Depreciation expenses	\$ 23,085	\$ 87,380	\$ 45,609	\$ 156,074
Total Expenses	\$ 444,366	\$ 374,808	\$ 107,720	\$ 926,893
Result of operations	\$ 22,552	\$ (181,344)	\$ 17,925	\$ (140,866)
Total net assets - beginning	\$ 493,036	\$ 2,168,776	\$ 414,138	\$ 3,075,949
Total net assets - ending	\$ 515,588	\$ 1,987,432	\$ 432,063	\$ 2,935,082

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 \$786,027. In-Kind/Grant Revenue was \$12,850, \$5,000 from a local service club to offset expenses related to the purchase and equipping of the fire department water-tender and \$7,850 received from a local financial institution for the replacement of fire department radios. Operating expenses for water and sewer services was \$708,709 and public safety expenses for the fire department totaled \$62,111. Depreciation expenses totaled \$156,074. As a result of operations the District's total net position decreased \$140,866.

TABLE 4
RESULTS OF WATER OPERATIONS
YEAR OVER YEAR – 2018 ADOPTED BUDGET

Water	Column One - Year over Year				Column Two - 2018 Budget compared to 2017 Actuals			
	Actuals 2016-2017	Actuals 2015-2016	\$\$ Change	% Change	Budget 2017-2018	Actuals 2016-2017	\$\$ Change	% Change
Revenues								
Water Sales	\$ 420,559	\$ 390,565	\$ 29,995	7.7%	\$ 418,443	\$ 420,559	\$ (2,116)	-0.5%
Special benefit zone	\$ 12,259	\$ 12,186	\$ 73	0.6%	\$ 12,348	\$ 12,259	\$ 89	0.7%
Fee for service	\$ 19,596	\$ 7,109	\$ 12,487	175.6%	\$ 6,664	\$ 19,596	\$ (12,932)	-66.0%
Installation/Meter Charge	\$ 2,276	\$ 534	\$ 1,742	326.3%	\$ 3,466	\$ 2,276	\$ 1,190	52.3%
Other revenue	\$ 292	\$ 232	\$ 60	25.9%	\$ -	\$ 292	\$ (292)	-100.0%
Total Revenue	\$ 454,982	\$ 410,626	\$ 44,356	10.8%	\$ 440,921	\$ 454,982	\$ (14,061)	-3.1%
Expenses								
Purchased water	\$ 152,395	\$ 139,289	\$ 13,106	9.4%	\$ 141,485	\$ 152,395	\$ (10,910)	-7.2%
Director Fees	\$ 2,995	\$ 2,995	\$ -	0.0%	\$ 2,995	\$ 2,995	\$ -	0.0%
Contract Labor	\$ 210,152	\$ 192,385	\$ 17,767	9.2%	\$ 197,301	\$ 210,152	\$ (12,851)	-6.1%
Insurance	\$ 2,184	\$ 2,058	\$ 126	6.1%	\$ 2,700	\$ 2,184	\$ 516	23.6%
Professional services	\$ 5,462	\$ 4,323	\$ 1,140	26.4%	\$ 4,545	\$ 5,462	\$ (917)	-16.8%
Dues & Memberships	\$ 3,727	\$ 3,694	\$ 33	0.9%	\$ 3,727	\$ 3,727	\$ -	0.0%
Utilities	\$ 12,230	\$ 12,803	\$ (573)	-4.5%	\$ 14,122	\$ 12,230	\$ 1,892	15.5%
Property Taxes	\$ 225	\$ 324	\$ (99)	-30.6%	\$ 225	\$ 225	\$ -	0.0%
Supplies	\$ 661	\$ 927	\$ (266)	-28.7%	\$ 634	\$ 661	\$ (27)	-4.1%
Maintenance/Line Repairs	\$ 2,391	\$ 12,538	\$ (10,147)	-80.9%	\$ 14,654	\$ 2,391	\$ 12,263	512.9%
Bad Debt/Bank fees	\$ 1,051	\$ 1,670	\$ (619)	-37.1%	\$ 1,028	\$ 1,051	\$ (23)	-2.2%
Interest Expense	\$ 16,525	\$ 17,292	\$ (767)	-4.4%	\$ 15,941	\$ 16,525	\$ (584)	-3.5%
Payroll expense	\$ 11,283	\$ 11,228	\$ 55	0.5%	\$ 11,496	\$ 11,283	\$ 213	1.9%
Total expense	\$ 421,281	\$ 401,525	\$ 19,755	4.9%	\$ 410,853	\$ 421,281	\$ (10,428)	-2.5%
Results of operations	\$ 33,701	\$ 9,101	\$ 24,601	270.3%	\$ 30,068	\$ 33,701	\$ (3,633)	-10.8%
Other Income								
Interest Earnings	\$ 11,936	\$ 7,513	\$ 4,423	58.9%	\$ 11,604	\$ 11,936	\$ (332)	-2.8%
Connection Fees	\$ -	\$ -	\$ -	0.0%	\$ 10,123	\$ 10,123	\$ -	100.0%
Total Other Income	\$ 11,936	\$ 7,513	\$ 4,423	58.9%	\$ 21,727	\$ 11,936	\$ 9,791	82.0%
Other Expense								
Deprecation	\$ 23,085	\$ 22,577	\$ 508	2.3%	\$ 23,085	\$ 23,085	\$ -	0.0%
Total Other Expense	\$ 23,085	\$ 22,577	\$ 508	2.3%	\$ 23,085	\$ 23,085	\$ -	0.0%
Net Other Income/Expense	\$ (11,149)	\$ (15,064)	\$ 3,915	-26.0%	\$ (1,358)	\$ (11,149)	\$ 9,791	-87.8%
Net Income	\$ 22,552	\$ (5,963)	\$ 28,516	478.2%	\$ 28,710	\$ 22,552	\$ 6,158	27.3%

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

Water Revenues

Total revenues increased \$44,356. The district adopted two rate increases in the fiscal year. The first increase was in July 2016 for 4.37%. This rate increase was a pass through of the increase of wholesale water costs from our supplier. The second increase was in January of 2017 for 1.26%. The second increase is an annual adjustment based on the fluctuation in the Consumer Price Index (CPI). Revenues from business accounts increased \$14,488 (34.1%). Reimbursement revenues were \$12,709 for a special engineering study in the Glendale area. The district has conservatively budgeted a small decrease in revenues (-3.1%) for the 2017-2018 fiscal year.

Water Expenses

Total Expenses increased \$19,755 (4.9%). The cost of purchased water increased \$13,106 (9.4%). The District is anticipating a decrease in the cost of water for the 2017-2018 fiscal year. This decrease is anticipated to be applicable only to the 2017-2018 fiscal year, based on Capital Improvement Projects planned by our water supplier in subsequent fiscal years. Contract labor increased \$17,767 (9.2%). Contract labor includes engineering services, special studies, and maintenance and operations services provided by the Humboldt Bay Municipal Water District (HBMWD). There was an increase in engineering services related to the special studies (noted as

\$12,709 in revenues). 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 \$12,217. This increased cost of maintenance and operations is anticipated to continue, although there may be some future savings as the water district's communication equipment was repaired and replaced at the end of the fiscal year. There were four major repairs to the district's distribution system in 2015-2016, only one major repair occurred in 2016-2017. This accounts for the \$10,147 decrease in maintenance/line repair expenses.

Other Revenue

The district did not collect new connection fees. One connection is anticipated in the next fiscal year. The additional interest income is the result of financing activities related to the purchase of a water tender for the fire department.

**TABLE 5
RESULTS OF SEWER OPERATIONS
YEAR OVER YEAR – 2018 ADOPTED BUDGET**

<u>Sewer</u>	Column One - Year over Year				Column Two - 2018 Budget compared to 2017 Actuals			
	Actuals 2016-2017	Actuals 2015-2016	\$\$ Change	% Change	Budget 2017-2018	Actuals 2016-2017	\$\$ Change	% Change
Revenues								
Sewer Sales	\$ 182,310	\$ 181,428	\$ 883	0.5%	\$ 183,589	\$ 182,310	\$ 1,279	0.7%
Fee for service	\$ 10,433	\$ 3,167	\$ 7,266	229.4%	\$ 3,440	\$ 10,433	\$ (6,993)	-67.0%
Other revenue	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	\$ -	0.0%
Total Revenue	\$ 192,744	\$ 184,595	\$ 8,148	4.4%	\$ 187,029	\$ 192,744	\$ (5,715)	-3.0%
Expenses								
Sewer Treatment	\$ 198,228	\$ 142,692	\$ 55,536	38.9%	\$ 132,000	\$ 198,228	\$ (66,228)	-33.4%
Contract Labor	\$ 40,910	\$ 26,048	\$ 14,862	57.1%	\$ 27,191	\$ 40,910	\$ (13,719)	-33.5%
Insurance	\$ 2,069	\$ 1,960	\$ 109	5.6%	\$ 2,442	\$ 2,069	\$ 373	18.0%
Professional services	\$ 4,937	\$ 4,323	\$ 615	14.2%	\$ 4,545	\$ 4,937	\$ (392)	-7.9%
Dues & Memberships	\$ 541	\$ 508	\$ 33	6.6%	\$ 541	\$ 541	\$ -	0.0%
Utilities	\$ 10,837	\$ 9,597	\$ 1,240	12.9%	\$ 11,203	\$ 10,837	\$ 366	3.4%
Fuel	\$ 320	\$ -	\$ 320	0.0%	\$ 320	\$ 320	\$ -	0.0%
Property Taxes	\$ 324	\$ 324	\$ -	0.0%	\$ 324	\$ 324	\$ -	0.0%
Supplies	\$ 667	\$ 585	\$ 82	14.0%	\$ 664	\$ 667	\$ (3)	-0.4%
Maintenance/Line Repairs	\$ 569	\$ 4,806	\$ (4,237)	-88.2%	\$ -	\$ 569	\$ (569)	-100.0%
Bad Debt/Bank fees	\$ 200	\$ 382	\$ (182)	-47.7%	\$ 500	\$ 200	\$ 300	150.0%
Interest Expense	\$ -	\$ 9	\$ (9)	-100.0%	\$ -	\$ -	\$ -	0.0%
Licenses & Fees	\$ 2,342	\$ 2,730	\$ (388)	-14.2%	\$ 2,332	\$ 2,342	\$ (10)	-0.4%
Payroll expense	\$ 25,484	\$ 24,982	\$ 502	2.0%	\$ 23,190	\$ 25,484	\$ (2,294)	-9.0%
Total expense	\$ 287,428	\$ 218,947	\$ 68,481	31.3%	\$ 205,252	\$ 287,428	\$ (82,176)	-28.6%
Results of operations	\$ (94,684)	\$ (34,351)	\$ (60,333)	175.6%	\$ (18,223)	\$ (94,684)	\$ 76,461	-80.8%
Other Income								
Interest Earnings	\$ 720	\$ 737	\$ (17)	-2.2%	\$ 518	\$ 720	\$ (202)	-28.1%
Connection Fees	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	\$ -	0.0%
Total Other Income	\$ 720	\$ 737	\$ (17)	-2.2%	\$ 518	\$ 720	\$ (202)	-28.1%
Other Expense								
Deprecation	\$ 87,380	\$ 86,219	\$ 1,161	1.3%	\$ 87,380	\$ 87,380	\$ -	0.0%
Total Other Expense	\$ 87,380	\$ 86,219	\$ 1,161	1.3%	\$ 87,380	\$ 87,380	\$ -	0.0%
Net Other Income/Expense	\$ (86,660)	\$ (85,482)	\$ (1,178)	1.4%	\$ (86,862)	\$ (86,660)	\$ (202)	0.2%
Net Income	\$ (181,344)	\$ (119,834)	\$ (61,510)	51.3%	\$ (105,085)	\$ (181,344)	\$ 76,259	-42.1%

Revenues

Sewer sales experienced an increase of \$883. This small increase was due in part to an annual CPI adjustment of 1.26% passed in January of 2017. Fee for service increased \$7,266. This is reimbursement income for a special study in the Glendale area.

Expenses

Sewer expenses increased \$68,481(31.3%) from the prior year. The most significant increase was for effluent treatment by the City of Arcata. Treatment costs increased \$55,536 (38.9%). These costs were attributed to an El Nino event resulting in infiltration of ground water into the collection system and a faulty flow meter. 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. The District also invested in a new flow meter which is now located outside the weir collection. The budget for 2017-2018 reflects the savings the district is anticipating from these investments. A sewer rate study may be ordered by the board in the spring of 2018 if the investments have not successfully reduced the flow rates. Contract labor includes engineering expenses and contract labor from HBMWD for daily operations. Daily operations include billing, customer inquiry, office space and administrative oversight. Maintenance and meter reading is conducted by the district's Sewer Technician. The cost for contract labor increased \$14,862 (57.1%). Engineering fee for service accounted for \$7,266 of the increase. There were also additional engineering fees related to capital improvement projects and the completion of the Sanitary Sewer Systems Permit for the California Integrated Water Quality System. There was a small increase in the cost of contract labor from HBMWD.

Utility expenses increased \$1,240 (12.9%). Electricity expenses increased relative to the pumping costs associated with the infiltration as discussed earlier. Phone expenses also increased. AT&T discovered that they had been billing the district at a residential rate instead of a commercial rate for the telemetry equipment at the pumping stations. These expenses are on-going and have been reflected in the budget for the subsequent fiscal year. Line repairs decreased \$4,237 (-88.2%).

The District's budget for fiscal year 2017-2018 anticipates an operational improvement with lower expenses for sewer treatment and engineering fees. The result of operations is projecting a deficit of \$18,223, this is an improvement of \$76,461. The District board is aware of the projected deficit and is monitoring the sewer budget closely.

**TABLE 6
RESULTS OF FIRE OPERATIONS YEAR OVER YEAR – 2018 ADOPTED BUDGET**

Fire	Column One - Year over Year				Column Two - 2018 Budget compared to 2017 Actuals			
	Actuals 2016-2017	Actuals 2015-2016	\$\$ Change	% Change	Budget 2017-2018	Actuals 2016-2017	\$\$ Change	% Change
Revenues								
Property Taxes	\$ 56,284	\$ 54,605	\$ 1,679	3.1%	\$ 56,284	\$ 56,284	\$ -	0.0%
Special Benefit Assessment	\$ 40,425	\$ 54,378	\$ (13,953)	-25.7%	\$ 40,425	\$ 40,425	\$ -	0.0%
Other Income	\$ 14,488	\$ 8,776	\$ 5,712	65.1%	\$ 1,473	\$ 14,488	\$ (13,015)	-89.8%
Total Revenue	\$ 111,197	\$ 117,759	\$ (6,562)	-5.6%	\$ 98,182	\$ 111,197	\$ -	0.0%
Expenses								
Director Fees	\$ 599	\$ 599	\$ -	0.0%	\$ 599	\$ 599	\$ -	0.0%
Benefit Assessment Fee	\$ 368	\$ 102	\$ 266	261.5%	\$ 102	\$ 368	\$ (266)	-72.3%
Insurance	\$ 15,077	\$ 15,482	\$ (405)	-2.6%	\$ 16,621	\$ 15,077	\$ 1,544	10.2%
Professional services	\$ 4,543	\$ 4,323	\$ 221	5.1%	\$ 4,545	\$ 4,543	\$ 2	0.0%
Dues & Memberships	\$ 2,432	\$ 2,368	\$ 64	2.7%	\$ 2,426	\$ 2,432	\$ (6)	-0.2%
Utilities	\$ 6,185	\$ 4,637	\$ 1,548	33.4%	\$ 5,398	\$ 6,185	\$ (787)	-12.7%
Transportation/travel	\$ 1,391	\$ 1,169	\$ 222	0.0%	\$ 1,208	\$ 1,391	\$ (183)	-15.1%
Supplies	\$ 3,674	\$ 3,345	\$ 329	9.8%	\$ 3,550	\$ 3,674	\$ (124)	-3.4%
Maintenance expenses	\$ 6,272	\$ 8,675	\$ (2,403)	-27.7%	\$ 6,300	\$ 6,272	\$ 28	0.4%
Equipment	\$ 3,489	\$ 1,453	\$ 2,036	140.1%	\$ 2,300	\$ 3,489	\$ (1,189)	-34.1%
Interest Expense	\$ 10,309	\$ 6,533	\$ 3,776	57.8%	\$ 10,921	\$ 10,309	\$ 612	5.9%
Licenses & Fees	\$ 112	\$ 5,442	\$ (5,330)	-4759.3%	\$ -	\$ 112	\$ (112)	-100.0%
Chief's incentive program	\$ 2,000	\$ 2,110	\$ (110)	-5.2%	\$ 2,000	\$ 2,000	\$ -	0.0%
Fire Grant Expenses	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	\$ -	0.0%
Payroll Expenses	\$ 5,660	\$ 1,604	\$ 4,056	252.9%	\$ 1,644	\$ 5,660	\$ (4,016)	-71.0%
Total expense	\$ 62,111	\$ 57,842	\$ 4,269	7.4%	\$ 57,614	\$ 62,111	\$ (4,497)	-7.2%
Results of operations	\$ 49,086	\$ 59,917	\$ (10,831)	-18.1%	\$ 40,568	\$ 49,086	\$ (8,518)	-17.4%
Other Income								
Interest Earnings	\$ 1,598	\$ 857	\$ 741	86.5%	\$ 825	\$ 1,598	\$ (773)	-48.4%
Grant Revenue	\$ 12,850	\$ 47,470	\$ (34,620)	-269.4%	\$ -	\$ 12,850	\$ (12,850)	-100.0%
Total Other Income	\$ 14,448	\$ 48,327	\$ (33,879)	-70.1%	\$ 825	\$ 14,448	\$ (13,623)	-94.3%
Other Expense								
Depreciation	\$ 45,609	\$ 42,818	\$ 2,791	6.5%	\$ 45,609	\$ 45,609	\$ -	0.0%
Total Other Expense	\$ 45,609	\$ 42,818	\$ 2,791	6.5%	\$ 45,609	\$ 45,609	\$ -	0.0%
Net Other Income/Expense	\$ (31,161)	\$ 5,509	\$ (36,670)	-665.7%	\$ (44,784)	\$ (31,161)	\$ (13,623)	43.7%
Net Income	\$ 17,925	\$ 65,426	\$ (47,501)	-72.6%	\$ (4,216)	\$ 17,925	\$ (22,141)	-123.5%

Revenues

Revenues for the department decreased \$6,562 (-5.6%). In 2013 the voters approved an increase in the special benefit assessment. The assessment increased from \$42 per parcel to \$75 per parcel. The special benefit tax assessment was levied for the purposes of fire protection, emergency medical services and an expansion of the fire house. The tax is levied for a period of ten years. Subsequently, the tax roll was not adjusted to include this increase in the 2014-2015 fiscal year. An adjustment to the tax roll was made to include the under-collected tax in the 2015-2016 fiscal year. The revenue from the special benefit assessment for the 2016-2017 fiscal year reflects the voter approved rate of \$75 per parcel. A decrease of \$13,953 (-25.7%) from the 2015-2016 fiscal year. Other income increased \$5,712 from a mutual-aid request from Cal-Fire.

Expenses

Expenses for the department increased \$4,269 (7.4%). The benefit assessment fee increased \$266 due to the annexation of new properties in the 2015-2016 fiscal year. Utilities increased \$1,548 (33.3%). The increase in utility expenses is anticipated to be ongoing and are directly related to the expanded size of the fire house. Maintenance expenses decreased \$2,403 (-27.7%) largely due to the replacement of the water tender and maintenance for the SCBA equipment. Interest expense increased \$3,776 due to financing activities for the purchase of the water tender. Licenses and fees decreased \$5,330. In 2015-2016 there were surveying fees and application fees for the annexation project. A portion of these fees were reimbursed. Payroll expenses increased \$4,056. The board approved the temporary hiring of additional secretarial help to help the fire department with data entry. The board also approved the payment of fire fighters for mutual aid calls when there is a payment provided for those services.

Other Income

There was an improvement to interest earnings for deposits held with the County of Humboldt. There was a decrease in grant revenue or in-kind revenue from the prior year of \$34,620. In 2015-2016 the District received wildfire and structure turnouts from the proceeds of Measure Z, a tax assessment administered by the County of Humboldt. In 2016-2017 the District received grant funds of \$12,850 for the purchase of fire equipment.

Additional Budgetary Information

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

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

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

General Revenues are taxes that are collected for the District by the County of Humboldt. In the 2015-2016 fiscal year the District completed an annexation effort. The fiscal benefit to the District was unknown at the time the budget was developed. There was an increase in General Revenues from the original budget to the actual budget of \$5,130. The amount of this increase is likely to continue. Other revenues and In-Kind Revenues would not be included in the original budget unless an award letter or an invoice for services was pending. During the fiscal year the

District received funding from Cal-Fire for a mutual aid response totaling \$14,454 and In-Kind Revenue from grant funding of \$12,850.

Total expenditures exceeded the original budget by \$16,481. Payroll exceeded the original budget by \$4,039. Temporary secretarial hire for data entry and payment of fire fighters for mutual aid calls account for the increase. The payment of fire fighters is contingent upon there being a revenue stream to offset the expense. These payroll expenditures will not affect the liquidity of the District. Other expense increases for utilities, supplies, and small equipment, totaling \$4,791 will likely continue and will be budgeted accordingly.

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 2014-2015 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**

Water Fund	2014-2015	2015-2016	2016-2017	Increase/Decrease from prior year
Current and Other Assets	\$ 649,573	\$ 612,579	\$ 617,930	\$ 5,352
Capital and Fixed Assets	\$ 568,032	\$ 547,767	\$ 541,641	\$ (6,126)
Current and other Liabilities	\$ 88,306	\$ 92,292	\$ 96,604	\$ 4,312
Long Term Liabilities	\$ 630,301	\$ 575,018	\$ 547,381	\$ (27,637)
Total Net Assets	\$ 498,997	\$ 493,036	\$ 515,586	\$ 22,551
Net Assets - Beginning	\$ 479,475	\$ 498,999	\$ 493,034	\$ (5,965)
Operating Revenues	\$ 419,502	\$ 418,140	\$ 466,918	\$ 48,778
Operating Expenses	\$ 359,567	\$ 401,525	\$ 421,281	\$ 19,755
Net Operating Income	\$ 59,935	\$ 16,614	\$ 45,637	\$ 29,023
Depreciation Expenses	\$ 40,412	\$ 22,577	\$ 23,085	\$ 508
Change in Net Assets	\$ 19,523	\$ (5,963)	\$ 22,552	\$ 28,515
Net Assets - Ending	\$ 498,999	\$ 493,034	\$ 515,585	\$ 22,551

The water fund's net assets increased \$22,551 over the prior year and \$16,586 over the 2014-2015 year. The reduction of long-term debt accounts for a significant portion of this change. Operating revenues have increased from rate adjustments, investing activities, and reimbursements for a special study in the Glendale area. Expenses for wholesale water and special studies account for a significant percentage of the change in operating expenses.

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

Sewer Fund	2014-2015	2015-2016	2016-2017	Increase/Decrease from prior year
Current and Other Assets	\$ 224,961	\$ 190,551	\$ 49,038	\$ (141,514)
Capital and Fixed Assets	\$ 2,080,160	\$ 1,993,941	\$ 1,959,784	\$ (34,157)
Current and other Liabilities	\$ 12,510	\$ 15,716	\$ 21,390	\$ 5,673
Long Term Liabilities	\$ 4,002	\$ -	\$ -	\$ -
Total Net Assets	\$ 2,288,609	\$ 2,168,776	\$ 1,987,432	\$ (181,344)
Net Assets - Beginning	\$ 2,349,441	\$ 2,288,609	\$ 2,168,776	\$ (119,834)
Operating Revenues	\$ 196,874	\$ 185,332	\$ 193,464	\$ 8,132
Operating Expenses	\$ 171,490	\$ 218,947	\$ 287,428	\$ 68,481
Net Operating Income	\$ 25,384	\$ (33,615)	\$ (93,964)	\$ (60,349)
Depreciation Expenses	\$ 86,216	\$ 86,219	\$ 87,380	\$ 1,161
Change in Net Assets	\$ (60,832)	\$ (119,834)	\$ (181,344)	\$ (61,510)
Net Assets - Ending	\$ 2,288,609	\$ 2,168,776	\$ 1,987,432	\$ (181,344)

The sewer fund's net assets decreased \$181,344 from the prior year and \$301,177 from the 2014-2015 fiscal year. Unfunded depreciation has historically been a challenge for the sewer fund; however, operational losses in current and prior fiscal years were significant. Increased treatment expenses accounted for most of the losses experienced in these years. Capital improvements were completed in June of 2017 to address identified areas of infiltration and a new in-line flow meter was installed. These investments should curb the costs of treatment and help balance revenues and expenses. The board is aware that depreciation will continue to be underfunded and the position of the net assets will decrease accordingly.

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

Fire Fund	2014-2015	2015-2016	2016-2017	Increase/Decrease from prior year
Current and Other Assets	\$ 93,303	\$ 133,417	\$ 165,929	\$ 32,512
Capital and Fixed Assets	\$ 423,579	\$ 550,965	\$ 513,246	\$ (37,719)
Current and other Liabilities	\$ 934	\$ 8,785	\$ 680	\$ (8,104)
Long Term Liabilities	\$ 167,236	\$ 261,460	\$ 246,430	\$ (15,030)
Total Net Assets	\$ 348,713	\$ 414,138	\$ 432,064	\$ 17,926
Net Assets - Beginning	\$ 373,007	\$ 348,713	\$ 414,138	\$ 65,425
Operating Revenues	\$ 77,651	\$ 166,085	\$ 125,645	\$ (40,440)
Operating Expenses	\$ 57,434	\$ 57,842	\$ 62,111	\$ 4,269
Net Operating Income	\$ 20,217	\$ 108,244	\$ 63,534	\$ (44,710)
Depreciation Expenses	\$ 44,511	\$ 42,818	\$ 45,609	\$ 2,791
Change in Net Assets	\$ (24,294)	\$ 65,426	\$ 17,925	\$ (47,501)
Net Assets - Ending	\$ 348,713	\$ 414,138	\$ 432,064	\$ 17,926

The fire fund's net assets increased \$17,926 from the prior year and \$83,351 from the 2014-2015 fiscal year. Most of this increase can be traced to the purchase of a truck in January 2016. The voters approved an increase in the special benefit assessment in 2014. The assessment increased from \$42 per parcel to \$75 per parcel effective for the 2014-2-15 fiscal year. Subsequently the tax roll was not adjusted to include the increase. The special benefit tax was adjusted for the 2015-2016 year to \$108 per parcel to collect the variance. This accounts for the decreased revenues and change in the net assets in 2016-2017.

**TABLE 10
CAPITAL ASSETS PROPERTY & EQUIPMENT**

	FY 2015-2016	FY 2016-2017	Difference
Water			
Land	\$ 6,461	\$ 6,461	\$0
Water System Infrastructure	\$ 1,819,553	\$ 1,836,513	\$16,960
Sewer			
Land	\$ 20,860	\$ 20,860	\$0
Sewer System Infrastructure	\$ 3,930,928	\$ 3,984,151	\$53,223
Fire			
Land	\$ 5,106	\$ 5,106	\$0
Buildings	\$ 359,674	\$ 359,674	\$0
Equipment - Trucks, Clothing, Radios, Tools	\$ 720,485	\$ 728,375	\$7,890
Total Property & Equipment	\$ 6,863,067	\$ 6,941,140	\$78,073
Less Accumulated Depreciation	\$ (3,770,394)	\$ (3,926,468)	(\$156,074)
Total Property & Equipment (net of depreciation)	\$ 3,092,673	\$ 3,014,672	(\$78,001)

Capital Assets

The District had \$3.01 million (net of accumulated depreciation) invested in a broad range of utility capital assets as of June 30, 2017. 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 2015-2016	FY 2016-2017	Difference
Water			
L/T Davis Grunsky Loan	\$ 316,851	\$ 300,974	(\$15,877)
L/T Davis Grunsky Deferred Interest	\$ 54,782	\$ 51,553	(\$3,229)
L/T I-Bank	\$ 203,385	\$ 194,854	(\$8,531)
Total L/T Notes - Water	\$ 575,018	\$ 547,381	(\$27,637)
Fire			
L/T Fire to Water - Firehouse Expansion	\$ 145,575	\$ 139,717	(\$5,858)
L/T Fire to Water - Truck	\$ 100,855	\$ 91,538	(\$9,317)
Total L/T Notes - Fire	\$ 246,430	\$ 231,255	(\$15,175)
Total L/T Notes Payable	\$ 821,448	\$ 778,636	\$ (42,812)

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 4.00% 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 4.00% per annum with annual interest rate reviews. Principal and interest are due semi-annually beginning December 31, 2016 with the loan maturing on June 30, 2026.

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

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

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

Requests for Additional Information

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

BASIC FINANCIAL STATEMENTS

FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
June 30, 2017

	Governmental Activities	Business-Type Activities	Totals
Assets			
Current Assets:			
Cash in Checking	\$ -	\$ 37,251	\$ 37,251
Cash in Savings	14,450	109,900	124,350
Cash in LAIF	-	155,071	155,071
Cash in County Treasury	119,024	-	119,024
Accounts Receivable - Net	-	67,791	67,791
Grant and Other Receivables	-	-	-
Interest Receivable	315	525	840
Prepaid Expenses	1,442	-	1,442
Total Current Assets	<u>135,231</u>	<u>370,538</u>	<u>505,769</u>
Capital Assets:			
Land	5,106	6,351	11,457
Rights-of-Way	-	20,970	20,970
Sewage Collection System	-	3,983,645	3,983,645
Building and Equipment	1,088,049	34,245	1,122,294
Water Distribution System	-	1,802,774	1,802,774
Less Accumulated Depreciation	(579,909)	(3,346,559)	(3,926,468)
Capital Assets Net of Accumulated Depreciation	<u>513,246</u>	<u>2,501,426</u>	<u>3,014,672</u>
Other Assets			
Interfund Loans Receivable/(Payable)	(246,430)	246,430	-
Board Designated Cash - Fire Debt Service and Water Rate Stabilization Reserves	30,694	50,000	80,694
Total Other Assets	<u>(215,736)</u>	<u>296,430</u>	<u>80,694</u>
 Total Assets	 <u>432,741</u>	 <u>3,168,394</u>	 <u>3,601,135</u>
Liabilities			
Current Liabilities:			
Accounts Payable	680	81,457	82,137
Accrued Payroll	-	2,469	2,469
Customer Deposits	-	3,259	3,259
Interest Payable	-	3,172	3,172
Current Portion of Notes Payable	-	24,409	24,409
Current Portion of Deferred Interest	-	3,228	3,228
Total Current Liabilities	<u>680</u>	<u>117,994</u>	<u>118,674</u>
Non-Current Liabilities:			
Notes Payable, Net of Current Portion	-	495,828	495,828
Deferred Interest Payable, Net of Current Portion	-	51,553	51,553
Total Non-Current Liabilities	<u>-</u>	<u>547,381</u>	<u>547,381</u>
Total Liabilities	<u>680</u>	<u>665,375</u>	<u>666,055</u>
Net Position			
Net investment in Capital Assets	513,246	1,926,408	2,439,654
Unrestricted	(81,185)	576,611	495,426
Total Net Position	<u>\$ 432,061</u>	<u>\$ 2,503,019</u>	<u>\$ 2,935,080</u>

See accompanying notes.

FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2017

	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	\$ 107,720	\$ -	\$ 12,850	\$ (94,870)	\$ -	\$ (94,870)
Total Governmental Activities	<u>107,720</u>	<u>-</u>	<u>12,850</u>	<u>(94,870)</u>	<u>-</u>	<u>(94,870)</u>
Business-Type Activities:						
Water	443,347	440,961	-	-	(2,386)	(2,386)
Sewer	374,609	185,058	-	-	(189,551)	(189,551)
Total Business-Type Activities	<u>817,956</u>	<u>626,019</u>	<u>-</u>	<u>-</u>	<u>(191,937)</u>	<u>(191,937)</u>
Total	<u>\$ 925,676</u>	<u>\$ 626,019</u>	<u>\$ 12,850</u>	<u>\$ (94,870)</u>	<u>\$ (191,937)</u>	<u>\$ (286,807)</u>
Change in Net Position:						
Net (Expense) Revenue				<u>\$ (94,870)</u>	<u>\$ (191,937)</u>	<u>\$ (286,807)</u>
General Revenues:						
Taxes:						
Current Secured Taxes				50,816	-	50,816
Current Unsecured Taxes				3,026	-	3,026
Prior Year Taxes				624	-	624
Timber Yield Tax				102	-	102
Proposition 172 Revenue				1,015	-	1,015
Homeowners' Exemptions				701	-	701
Property Tax Assessments				40,425	-	40,425
Miscellaneous Income				14,488	20,487	34,975
Unrestricted Investment Earnings				1,598	12,655	14,253
Total Revenues				<u>112,795</u>	<u>33,142</u>	<u>145,937</u>
Change in Net Position				17,925	(158,795)	(140,870)
Net Position - Beginning of Year				<u>414,136</u>	<u>2,661,814</u>	<u>3,075,950</u>
Net Position - End of Year				<u>\$ 432,061</u>	<u>\$ 2,503,019</u>	<u>\$ 2,935,080</u>

See accompanying notes.

FLDDBROOK GLENDALF COMMUNITY SERVICES DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2017

Assets

Cash in Savings	\$ 14,450
Cash in County Treasury	149,718
Interest Receivable	315
Prepaid Expenses	<u>1,442</u>

Total Assets	<u><u>\$ 165,925</u></u>
--------------	--------------------------

Liabilities and Fund Balance

Liabilities:

Accounts Payable	\$ 680
Interfund Loans Payable	<u>246,430</u>
Total Liabilities	247,110

Fund Balance - Unassigned	<u>(81,185)</u>
---------------------------	-----------------

Total Liabilities and Fund Balance	<u><u>\$ 165,925</u></u>
------------------------------------	--------------------------

Total Fund Balance - Government Fund	\$ (81,185)
--------------------------------------	-------------

Amounts reported for governmental activities in the Statement of Net Position are different because capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The total capital assets, net of accumulated depreciation, are:

	<u>513,246</u>
--	----------------

Net Position - Governmental Activities	<u><u>\$ 432,061</u></u>
--	--------------------------

See accompanying notes.

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
For the Year Ended June 30, 2017**

Revenues

General Revenues:	
Current Secured Taxes	\$ 50,816
Current Unsecured Taxes	3,026
Prior Year Taxes	624
Timber Yield Tax	102
Proposition 172 Revenue	1,015
Homeowners' Exemptions	701
Property Tax Assessments	40,425
	<hr/>
Total General Revenues	96,709
Grants and Contributions	12,850
Miscellaneous Income	14,488
Unrestricted Investment Earnings	1,598
	<hr/>
Total Revenues	125,645

Expenditures

Fire Protection:	
Current	
Chief's Expenses	599
Insurance	15,077
Professional Services	4,543
Dues and Memberships	2,431
Utilities	6,184
Transportation and Travel	1,391
Supplies	3,675
Maintenance	6,273
Equipment and Small Tools	3,489
Benefit Assessment Collection Fee	368
Chief's Incentive Program	2,000
Licenses	112
Payroll	5,659
Capital Outlay	7,889
Interest on Interfund Loan	10,310
	<hr/>
Total Fire Protection Expenditures	70,000
Excess of Expenditures over Revenues	55,645
Fund Balance, Beginning of Year	<hr/> (136,830)
Fund Balance, End of Year	<hr/> <u>\$ (81,185)</u>

Net Change in Fund Balance - Governmental Fund \$ 55,645

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

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

 Depreciation (45,609)

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

7,889

Change in Net Position - Governmental Activities \$ 17,925

See accompanying notes.

FLDDBROOK GLENDALF COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2017

	Water Fund	Sewer Fund	Total
Assets			
Current Assets:			
Cash in Checking	\$ 37,251	\$ -	\$ 37,251
Cash in Savings	82,176	27,724	109,900
Cash in LAIF	154,264	807	155,071
Accounts Receivable - Net	47,373	20,418	67,791
Interest Receivable	436	89	525
Total Current Assets	<u>321,500</u>	<u>49,038</u>	<u>370,538</u>
Capital Assets:			
Land	6,351	-	6,351
Rights-of-Way	110	20,860	20,970
Sewage Collection System	-	3,983,645	3,983,645
Buildings and Equipment	33,739	506	34,245
Water Distribution System	1,802,774	-	1,802,774
Less Accumulated Depreciation	<u>(1,301,332)</u>	<u>(2,045,227)</u>	<u>(3,346,559)</u>
Capital Assets, Net of Accumulated Depreciation	<u>541,642</u>	<u>1,959,784</u>	<u>2,501,426</u>
Other Assets			
Interfund Loans Receivable	246,430	-	246,430
Board Designated Cash - Water Rate Stabilization Reserve	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total Other Assets	<u>296,430</u>	<u>-</u>	<u>296,430</u>
Total Assets	<u>1,159,572</u>	<u>2,008,822</u>	<u>3,168,394</u>
Liabilities			
Current Liabilities:			
Accounts Payable	61,049	20,408	81,457
Accrued Payroll	2,469	-	2,469
Customer Deposits	2,278	981	3,259
Interest Payable	3,172	-	3,172
Current Portion of Notes Payable	24,409	-	24,409
Current Portion of Deferred Interest Payable	<u>3,228</u>	<u>-</u>	<u>3,228</u>
Total Current Liabilities	<u>96,605</u>	<u>21,389</u>	<u>117,994</u>
Non-Current Liabilities:			
Notes Payable, Net of Current Portion	495,828	-	495,828
Deferred Interest Payable, Net of Current Portion	<u>51,553</u>	<u>-</u>	<u>51,553</u>
Total Non-Current Liabilities	<u>547,381</u>	<u>-</u>	<u>547,381</u>
Total Liabilities	<u>643,986</u>	<u>21,389</u>	<u>665,375</u>
Net Position			
Net Investment in Capital Assets	(33,376)	1,959,784	1,926,408
Unrestricted	<u>548,962</u>	<u>27,649</u>	<u>576,611</u>
Total Net Position	<u>\$ 515,586</u>	<u>\$ 1,987,433</u>	<u>\$ 2,503,019</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, 2017

	Water Fund	Sewer Fund	Total
Operating Revenues:			
Water Sales and Sewer Charges	\$ 432,818	\$ 182,311	\$ 615,129
Late Fees	5,672	2,382	8,054
Installation and Permit Fees	3,491	565	4,056
Adjustments and Bad Debts	(1,020)	(200)	(1,220)
Total Operating Revenues	<u>440,961</u>	<u>185,058</u>	<u>626,019</u>
Operating Expenses:			
Purchased Water and Sewer Service	152,394	198,229	350,623
Directors' Fees	2,995	-	2,995
Contract Labor and Administration	210,152	40,911	251,063
Insurance	2,184	2,069	4,253
Professional Services	5,463	4,937	10,400
Dues and Memberships	541	541	1,082
Utilities	12,231	10,836	23,067
Fuel	-	320	320
Depreciation	23,085	87,380	110,465
Property Taxes	225	324	549
Supplies	660	667	1,327
Maintenance	2,391	569	2,960
Bank Charges	31	10	41
Miscellaneous	3,187	2,332	5,519
Payroll	11,283	25,484	36,767
Total Operating Expenses	<u>426,822</u>	<u>374,609</u>	<u>801,431</u>
Operating Income (Loss)	14,139	(189,551)	(175,412)
Non-operating Revenues (Expenses):			
Miscellaneous Revenue	13,001	7,486	20,487
Interest Revenue	11,936	719	12,655
Interest Expense	(16,525)	-	(16,525)
Changes in Net Position	22,551	(181,346)	(158,795)
Net Position - Beginning of Year	<u>493,035</u>	<u>2,168,779</u>	<u>2,661,814</u>
Net Position - End of Year	<u>\$ 515,586</u>	<u>\$ 1,987,433</u>	<u>\$ 2,503,019</u>

See accompanying notes.

FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

	Water Fund	Sewer Fund	Total
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 449,124	\$ 190,934	\$ 640,058
Cash Paid for Operating Expenses	(390,026)	(254,455)	(644,481)
Cash Paid to Employees for Services	(8,814)	(25,484)	(34,298)
Net Cash Provided (Used) by Operating Activities	<u>50,284</u>	<u>(89,005)</u>	<u>(38,721)</u>
Cash Flows from Capital and Related Financing Activities:			
Equipment purchases	(16,959)	(53,223)	(70,182)
Principal Payments on Notes Payable	(23,686)	-	(23,686)
Interest Payments on Notes Payable	(19,894)	-	(19,894)
Net Cash Provided (Used) in Capital and Related Financing Activities	<u>(60,539)</u>	<u>(53,223)</u>	<u>(113,762)</u>
Cash Flows from Investing Activities:			
Interest Received	11,684	798	12,482
Principal payments on Interfund Loan to Fire Fund	15,029	-	15,029
Net Cash Provided (Used) by Investing Activities	<u>26,713</u>	<u>798</u>	<u>27,511</u>
Increase (Decrease) in Cash and Cash Equivalents	16,458	(141,430)	(124,972)
Cash, Beginning of Year	<u>307,233</u>	<u>169,961</u>	<u>477,194</u>
Cash, End of Year (Note 2)	<u>\$ 323,691</u>	<u>\$ 28,531</u>	<u>\$ 352,222</u>
Operating Income (Loss)			
Operating Income (Loss)	\$ 14,139	\$ (189,551)	\$ (175,412)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows Provided by Operating Activities:			
Depreciation	23,085	87,380	110,465
Miscellaneous Income	13,001	7,486	20,487
Change in Assets and Liabilities:			
Accounts Receivable	(5,833)	(2,023)	(7,856)
Prepaid Expenses	2,163	2,028	4,191
Accounts Payable	265	5,262	5,527
Accrued Payroll	2,469	-	2,469
Customer Deposits	995	413	1,408
Net Cash Flows from Operating Activities	<u>\$ 50,284</u>	<u>\$ (89,005)</u>	<u>\$ (38,721)</u>

See accompanying notes.

FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

Nature of Activities

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

Basis of Presentation

Government-Wide Financial Statements

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

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

FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

Enterprise Funds

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

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

Measurement Focus/Basis of Accounting

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

Government-Wide Financial Statements

The government-wide statement of net position and statement of activities and changes in net position are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

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

Fund Financial Statements

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

FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

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

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

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

Cash and Cash Equivalents

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

Accounts Receivable

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

Capital Assets

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

FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

Budgetary Information

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

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

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial and risk pool coverage covering each of those risks of loss. 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.

FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 2 – CASH AND INVESTMENT FUNDS

Cash and investment funds at June 30, 2017, consist of the following:

<u>General Fund - Fire District</u>			
Commercial Account	\$	14,450	
Pooled Funds Humboldt County – Board Designated		30,694	
Pooled Investment Funds Humboldt County		<u>119,024</u>	
Total Cash and Investment Funds General Fund			<u>\$ 164,168</u>
 <u>Enterprise Funds</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Commercial Accounts:			
Checking	\$ 37,251	\$ -	\$ 37,251
Savings	<u>82,176</u>	<u>27,724</u>	<u>109,900</u>
	<u>119,427</u>	<u>27,724</u>	<u>147,151</u>
Pooled Investment Funds:			
Local Agency Investment Fund (LAIF)	154,264	807	155,071
Board Designated (LAIF)	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total LAIF	<u>204,264</u>	<u>807</u>	<u>205,071</u>
Total Cash and Investment Funds Enterprise Funds	<u>\$ 323,691</u>	<u>\$ 28,531</u>	<u>\$ 352,222</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 Association.

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, 2017, none of the District's bank balance in Coast Central Credit Union was exposed to custodial credit risk.

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

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

FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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, 2017, consists of the following:

	<u>Water</u>	<u>Enterprise Funds Sewer</u>	<u>Total</u>
Accounts Receivables per HBMWD			
Utility Billing Aging Report	\$ 48,462	\$ 26,568	\$ 75,030
Customer Deposits per Report	2,278	982	3,260
Overbilling Adjustments	(1,154)	(6,178)	(7,332)
Allowance for Uncollectable Accounts	<u>(2,213)</u>	<u>(954)</u>	<u>(3,167)</u>
Accounts Receivable - Net	<u>\$ 43,373</u>	<u>\$ 20,418</u>	<u>\$ 67,791</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, 2017, is as follows:

	<u>Balance 6/30/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/17</u>
Capital Assets Not Depreciated:				
Land	<u>\$ 5,106</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,106</u>
Capital Assets Being Depreciated:				
Building	359,673	-	-	359,673
Furniture and Equipment	<u>720,487</u>	<u>7,889</u>	<u>-</u>	<u>728,376</u>
Total Capital Assets Being Depreciated	1,180,160	7,889	-	1,088,049
Less: Accumulated Depreciation	<u>(534,300)</u>	<u>(45,609)</u>	<u>-</u>	<u>(579,909)</u>
Capital Assets Being Depreciated, Net	<u>545,860</u>	<u>(37,720)</u>	<u>-</u>	<u>508,140</u>
Investment in Capital Assets	<u>\$ 550,966</u>	<u>\$ (37,720)</u>	<u>\$ -</u>	<u>\$ 513,246</u>

Depreciation expense of \$45,609 was charged to the General Fund - Fire Department for the year ended June 30, 2017.

FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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, 2017, is as follows:

	<u>Balance</u> <u>6/30/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/17</u>
<u>Water Fund</u>				
Capital Assets not Depreciated:				
Land	\$ 6,351	\$ -	\$ -	\$ 6,351
Right-of-Way	110	-	-	110
Total Capital Assets Not Depreciated	<u>6,461</u>	<u>-</u>	<u>-</u>	<u>6,461</u>
Capital Assets Being Depreciated:				
Buildings and Equipment	33,739	-	-	33,739
Water Distribution System	1,785,815	16,959	-	1,802,774
Less: Accumulated Depreciation	<u>(1,278,247)</u>	<u>(23,085)</u>	<u>-</u>	<u>(1,301,332)</u>
Capital Assets Being Depreciated, Net	<u>541,307</u>	<u>(6,126)</u>	<u>-</u>	<u>535,181</u>
Net Property, Plant and Equipment	547,768	(6,126)	-	541,642
Related Debt	<u>(601,934)</u>	<u>-</u>	<u>26,916</u>	<u>(575,018)</u>
Investment in Capital Assets, Net of Related Debt	<u>\$ (54,166)</u>	<u>\$ (6,126)</u>	<u>\$ 26,916</u>	<u>\$ (33,376)</u>
<u>Sewer Fund</u>				
Capital Assets Not Depreciated:				
Right-of-Way	\$ 20,860	\$ -	\$ -	\$ 20,860
Capital Assets Being Depreciated:				
Buildings and Equipment	506	-	-	506
Sewage Collection System	3,930,422	53,223	-	3,983,645
Less: Accumulated Depreciation	<u>(1,957,847)</u>	<u>(87,380)</u>	<u>-</u>	<u>(2,045,227)</u>
Capital Assets Being Depreciated, Net	<u>1,973,081</u>	<u>(34,157)</u>	<u>-</u>	<u>1,938,924</u>
Investment in Capital Assets	<u>\$ 1,993,941</u>	<u>\$ (34,157)</u>	<u>\$ -</u>	<u>\$ 1,959,784</u>

Depreciation expense of \$23,085 and \$87,380 was charged to Water and Sewer Fund operations, respectively, for the year ended June 30, 2017.

NOTE 5 – NOTES PAYABLE AND INTERFUND LOANS

The renovation of the firehouse and grounds was partially financed with a loan in the amount of \$182,400 from the Water Department. The loan was refinanced during the year by the Board of Directors. The loan, bearing interest at 4.00% per annum as of June 30, 2017 with annual interest rate reviews, is payable in semi-annual installments with the loan maturing on June 30, 2034.

The 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 4.00% per annum as of June 30, 2017 with annual interest rate reviews, is payable in semi-annual installments with the loan maturing on June 30, 2026.

FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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% (as of March 1, 2014) is payable semi-annually.

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

The payment of the loans from the water fund to the governmental (fire) fund are partially funded by a 10-year property assessment. The activity for the year ended June 30, 2017, is as follows:

	<u>Balance 6/30/16</u>	<u>Advance</u>	<u>Payment</u>	<u>Balance 6/30/17</u>
Fire Fund				
Interfund Loans from				
Water Fund	\$ 261,459	\$ -	\$ (15,029)	\$ 246,430
Less: Current Portion	<u>(15,029)</u>	<u>-</u>	<u>(146)</u>	<u>(15,175)</u>
Long-term Liabilities	<u>\$ 246,430</u>	<u>\$ -</u>	<u>\$ (15,175)</u>	<u>\$ 231,255</u>

The activity for the long-term obligations, of which all is revenue debt, for the business-type activities for the year ended June 30, 2017, is as follows:

	<u>Balance 6/30/16</u>	<u>Advance</u>	<u>Payment</u>	<u>Balance 6/30/17</u>
Water Fund				
I-Bank	\$ 211,582	\$ -	\$ (8,197)	\$ 203,385
DG Principal	332,341	-	(15,489)	316,852
DG Deferred Interest	<u>58,010</u>	<u>-</u>	<u>(3,229)</u>	<u>54,781</u>
Total	601,933	-	(26,915)	575,018
Less: Current Portion	<u>(26,915)</u>	<u>-</u>	<u>(722)</u>	<u>(27,637)</u>
Long-term Liabilities	<u>\$ 575,018</u>	<u>\$ -</u>	<u>\$ (27,637)</u>	<u>\$ 547,381</u>

The annual debt service requirements to maturity are as follows:

FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Interfund Loan from Water Fund to Fire Fund - Firehouse Renovation

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 5,858	\$ 6,486
2019	6,125	6,219
2020	6,403	5,940
2021	6,695	5,649
2022	6,999	5,345
2023 to 2027	40,075	21,644
2028 to 2032	50,061	11,657
2033 to 2034	<u>23,359</u>	<u>1,329</u>
Total	145,575	64,269
Due within one year	<u>(5,858)</u>	<u>(6,486)</u>
Due after one year	<u>\$ 139,717</u>	<u>\$ 57,783</u>

Interfund Loan from Water Fund to Fire Fund - Water Tender

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 9,317	\$ 4,435
2019	9,741	4,011
2020	10,184	3,568
2021	10,648	3,104
2022	11,132	2,619
2023 to 2026	<u>49,833</u>	<u>5,176</u>
Total	100,855	22,913
Due within one year	<u>(9,317)</u>	<u>(4,435)</u>
Due after one year	<u>\$ 91,538</u>	<u>\$ 18,478</u>

California Infrastructure and Economic Development Bank

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 8,531	\$ 7,606
2019	8,878	7,274
2020	9,240	6,928
2021	9,616	6,567
2022	10,007	6,193
2023 to 2027	56,486	24,786
2028 to 2032	68,956	12,845
2033	<u>31,671</u>	<u>1,222</u>
Total	203,385	73,421
Due within one year	<u>(8,531)</u>	<u>(7,606)</u>
Due after one year	<u>\$ 194,854</u>	<u>\$ 65,815</u>

FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Davis Grunsky

Year Ending June 30	Principal	Interest	Deferred Interest
2018	\$ 15,878	\$ 7,724	\$ 3,228
2019	16,275	7,323	3,228
2020	16,681	6,920	3,228
2021	17,098	6,479	3,228
2022	17,526	6,056	3,228
2023 to 2027	94,424	23,399	16,141
2028 to 2032	106,833	10,924	16,141
2033 to 2034	<u>32,137</u>	<u>632</u>	<u>6,359</u>
Total	316,852	69,457	54,781
Due within one year	<u>(15,878)</u>	<u>(7,724)</u>	<u>(3,228)</u>
Due after one year	<u>\$ 300,974</u>	<u>\$ 61,733</u>	<u>\$ 51,553</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 \$1,000,000 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.

FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

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

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

NOTE 8 – WATER PURCHASE AND WASTEWATER TREATMENT 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

FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

services in accordance with the City's standard billing for sewer service charges as set by the Arcata Municipal Code. The agreement was reevaluated in the fiscal year ending June 30, 2013, and no action was taken. According to the terms of the agreement, if no action is taken, the contract is extended per the terms of the contract.

NOTE 9 – RELATED PARTY TRANSACTIONS

The District paid \$77.10 to Central Avenue Service Station for services and supplies. Central Avenue Service Station is owned by Richard Grissom, a District Board Member.

The District paid \$18,536.42 to Bill Sheppard for sewer repairs and upgrades. Bill Sheppard is related to a District Board Member.

NOTE 10 – BOARD DESIGNATED ASSETS - WATER RATE STABILIZATION 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.

NOTE 11 – RATE STABILIZATION

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

REQUIRED SUPPLEMENTARY INFORMATION

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT
BUDGETARY COMPARISON SCHEDULE
GOVERNMENTAL FUND
For the Year Ended June 30, 2017**

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Positive (Negative) Variance
Revenues				
General Revenues	\$ 91,579	\$ 96,709	\$ 96,709	\$ -
Other Revenue	500	14,488	14,488	-
Unrestricted Investment Earnings	720	1,598	1,598	-
InKind Revenue	-	12,850	12,850	-
Revenues	92,799	125,645	125,645	-
Expenditures:				
Chief's Expenses	599	599	599	-
Insurance	14,670	15,077	15,077	-
Interest	10,309	10,309	10,310	(1)
Professional Services	4,480	4,543	4,543	-
Dues and Memberships	2,368	2,432	2,431	1
Utilities	5,053	6,185	6,184	1
Transportation and Travel	1,164	1,391	1,391	-
Supplies	1,754	3,674	3,675	(1)
Maintenance	7,650	6,273	6,273	-
Equipment and Small Tools	1,750	3,489	3,489	-
Capital Purchases	-	-	7,889	(7,889)
Benefit Assessment Fee	102	368	368	-
Chief's Incentive Program	2,000	2,000	2,000	-
Licenses	-	112	112	-
Payroll	1,620	5,659	5,659	-
Total Expenditures	53,519	62,111	70,000	(7,889)
Excess (Deficiency) of Revenues Over Expenditures	\$ 39,280	\$ 63,534	55,645	\$ (7,889)
Fund Balance, Beginning of Year			(136,830)	
Fund Balance, End of Year			\$ (81,185)	
Total Fund Balance - Government Fund			\$ (81,185)	
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:			513,246	
Net Position of Governmental Activities			\$ 432,061	
Net Change in Fund Balance - Government Fund			\$ 55,645	
Amounts reported for governmental activities in the Statement of Activities are different because some expenses reported in the Statement of Activities do not require use of current financial resources, and therefore, are not reported as expenditures in the governmental funds. This expense is:				
Depreciation			(45,609)	
Governmental funds report capital outlays as expenditures since they require the use of current financial resources. Capital outlays for the current period were:			7,889	
Change in Net Position of Governmental Activities			\$ 17,925	

See independent auditors' report.