

FLDDBROOK GLENDALF COMMUNITY SERVICES DISTRICT

BASIC FINANCIAL STATEMENTS

AND

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2016

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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, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Hunter, Hunter & Hunt

October 31, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis For Fiscal Year Ending June 30, 2016

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, 2016. 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 2015-16			FY 2014-15			Change	
	Governmental	Business Type	Total	Governmental	Business Type	Total	\$	%
	(Fire)	(Water/Sewer)		(Fire)	(Water/Sewer)			
Current and other assets	\$ 118,070	\$ 491,670	\$ 609,740	\$ 93,303	\$ 657,299	\$ 750,602	\$ (140,862)	-18.77%
Board designated assets	\$ 15,347	\$ 50,000	\$ 65,347	\$ -	\$ 50,000	\$ 50,000	\$ 15,347	30.69%
Note receivable fire to water	\$ (261,459)	\$ 261,459	\$ -	\$ (167,236)	\$ 167,236	\$ -	\$ -	0%
Capital/Fixed assets	\$ 550,965	\$ 2,541,708	\$ 3,092,673	\$ 423,580	\$ 2,648,192	\$ 3,071,772	\$ 20,901	0.68%
Total Assets	\$ 422,923	\$ 3,344,837	\$ 3,767,760	\$ 349,647	\$ 3,522,727	\$ 3,872,374	\$ (104,614)	-2.70%
Current and other liabilities	\$ 8,785	\$ 108,008	\$ 116,793	\$ 935	\$ 133,186	\$ 134,121	\$ (17,328)	-12.92%
Long term liabilities	\$ -	\$ 575,018	\$ 575,018	\$ -	\$ 601,934	\$ 601,934	\$ (26,916)	-4.47%
Total Liabilities	\$ 8,785	\$ 683,026	\$ 691,811	\$ 935	\$ 735,120	\$ 736,055	\$ (44,244)	-6.01%
Investment in capital assets (net of related debt)	\$ 550,965	\$ 1,939,775	\$ 2,490,740	\$ 423,580	\$ 2,017,084	\$ 2,440,664	\$ 50,076	2.05%
Unrestricted	\$ (152,174)	\$ 672,036	\$ 519,862	\$ (74,868)	\$ 720,523	\$ 645,655	\$ (125,793)	-19.48%
Board Assigned	\$ 15,347	\$ 50,000	\$ 65,347		\$ 50,000	\$ 50,000	\$ 15,347	30.69%
Net Position	\$ 414,138	\$ 2,661,811	\$ 3,075,949	\$ 348,712	\$ 2,787,607	\$ 3,136,319	\$ (60,370)	-1.92%

The district’s net position for all funds as of June 30, 2016, was \$3,075,949, a decrease of \$60,370 (-1.92%) as compared to June 30, 2015. Current and other assets include cash in banks, accounts receivable, grants and other receivables and pre-paid expenses. Current and other assets decreased \$140,862 (-18.77%) as compared to June 30, 2015.

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 \$3,092,673 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 established a reserve of \$15,347 for future fire debt payments.

TABLE 2
CONDENSED STATEMENTS OF NET POSITION BY FUND
JUNE 30, 2016

	Water	Sewer	Fire	Total
Current and other assets	\$ 301,119	\$ 190,551	\$ 118,070	\$ 609,740
Capital/Fixed assets	\$ 547,768	\$ 1,993,940	\$ 550,965	\$ 3,092,673
Notes Payable/Receivable (Fire to Water)	\$ 261,459		\$ (261,459)	\$ -
Board Assigned	\$ 50,000		\$ 15,347	\$ 65,347
Total Assets	\$ 1,160,346	\$ 2,184,491	\$ 422,923	\$ 3,767,760
Current and other liabilities	\$ 92,292	\$ 15,716	\$ 8,785	\$ 116,793
Long Term Liabilities	\$ 575,018	\$ -	\$ -	\$ 575,018
Total Liabilities	\$ 667,310	\$ 15,716	\$ 8,785	\$ 691,811
Investment in capital assets net of related debt	\$ (54,165)	\$ 1,993,940	\$ 550,965	\$ 2,490,740
Unrestricted	\$ 497,201	\$ 174,835	\$ (152,174)	\$ 519,862
Board Assigned	\$ 50,000		\$ 15,347	\$ 65,347
Total Net Assets	\$ 493,036	\$ 2,168,775	\$ 414,138	\$ 3,075,949

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, 2016

	Water	Sewer	Fire	Total
Revenues:				
Charges for services	\$ 410,626	\$ 184,595		\$ 595,222
Taxes and assessments			\$ 108,983	\$ 108,983
Unrestricted investment earnings	\$ 7,513	\$ 737	\$ 857	\$ 9,107
In Kind Revenue			\$ 47,470	\$ 47,470
Other Income			\$ 8,776	\$ 8,776
Total Revenues	\$ 418,140	\$ 185,332	\$ 166,085	\$ 769,557
Expenses:				
Water/Sewer services	\$ 401,525	\$ 218,947		\$ 620,472
Public Safety			\$ 57,842	\$ 57,842
Depreciation expenses	\$ 22,577	\$ 86,219	\$ 42,818	\$ 151,614
Total Expenses	\$ 424,102	\$ 305,166	\$ 100,660	\$ 829,928
Result of operations	\$ (5,963)	\$ (119,834)	\$ 65,426	\$ (60,371)
Total net assets - beginning	\$ 498,997	\$ 2,288,609	\$ 348,713	\$ 3,136,320
Total net assets - ending	\$ 493,034	\$ 2,168,776	\$ 414,138	\$ 3,075,948

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 \$769,557. The In-Kind Revenue was for wildfire and structure turnouts for the Fire Department. These turnouts were purchased from the proceeds of Measure Z, a tax assessment administered by the County of Humboldt. Operating expenses for water and sewer services was \$620,472 and public safety expenses for the fire department totaled \$57,842.

Depreciation expenses totaled \$151,614. As a result of operations the District's total net position decreased \$60,371.

TABLE 4
RESULTS OF WATER OPERATIONS
YEAR OVER YEAR – 2017 ADOPTED BUDGET

Water	Column One - Year over Year				Column Two - 2016-2017 Budget to Actuals			
	Actuals 2015-2016	Actuals 2014-2015	\$\$ Change	% Change	Budget 2016-2017	Actuals 2015-2016	\$\$ Change	% Change
Revenues								
Water Sales	\$ 390,565	\$ 377,539	\$ 13,026	3.5%	\$ 396,972	\$ 390,565	\$ 6,407	1.6%
Special benefit zone	\$ 12,186	\$ 12,068	\$ 119	1.0%	\$ 12,180	\$ 12,186	\$ (6)	-0.1%
Fee for service	\$ 7,109	\$ 6,598	\$ 511	7.7%	\$ 6,380	\$ 7,109	\$ (729)	-10.3%
Installation/Meter Charge	\$ 534	\$ 5,253	\$ (4,720)	-89.8%	\$ -	\$ 534	\$ (534)	-100.0%
Other revenue	\$ 232	\$ 68	\$ 164	240.6%	\$ -	\$ 232	\$ (232)	-100.0%
Total Revenue	\$ 410,626	\$ 401,526	\$ 9,100	2.3%	\$ 415,532	\$ 410,626	\$ 4,906	1.2%
Expenses								
Purchased water	\$ 139,289	\$ 127,080	\$ 12,209	9.6%	\$ 150,761	\$ 139,289	\$ 11,472	8.2%
Director Fees	\$ 2,995	\$ 2,995	\$ -	0.0%	\$ 2,995	\$ 2,995	\$ -	0.0%
Contract Labor	\$ 192,385	\$ 165,963	\$ 26,422	15.9%	\$ 190,728	\$ 192,385	\$ (1,657)	-0.9%
Insurance	\$ 2,058	\$ 1,976	\$ 82	4.2%	\$ 2,164	\$ 2,058	\$ 106	5.1%
Professional services	\$ 4,323	\$ 4,312	\$ 11	0.2%	\$ 4,480	\$ 4,323	\$ 158	3.6%
Dues & Memberships	\$ 3,694	\$ 3,661	\$ 33	0.9%	\$ 3,694	\$ 3,694	\$ 0	0.0%
Utilities	\$ 12,803	\$ 12,915	\$ (112)	-0.9%	\$ 13,156	\$ 12,803	\$ 353	2.8%
Property Taxes	\$ 324	\$ 126	\$ 198	157.1%	\$ 225	\$ 324	\$ (99)	-30.6%
Supplies	\$ 927	\$ 434	\$ 493	113.4%	\$ 1,200	\$ 927	\$ 273	29.5%
Maintenance/Line Repairs	\$ 12,538	\$ 4,976	\$ 7,562	152.0%	\$ 14,627	\$ 12,538	\$ 2,089	16.7%
Bad Debt/Bank fees	\$ 1,670	\$ 6,908	\$ (5,238)	-75.8%	\$ 1,428	\$ 1,670	\$ (242)	-14.5%
Interest Expense	\$ 17,292	\$ 17,779	\$ (487)	-2.7%	\$ 16,973	\$ 17,292	\$ (319)	-1.8%
Payroll expense	\$ 11,228	\$ 10,442	\$ 786	7.5%	\$ 11,388	\$ 11,228	\$ 160	1.4%
Total expense	\$ 401,525	\$ 359,567	\$ 41,958	11.7%	\$ 413,819	\$ 401,525	\$ 12,294	3.1%
Results of operations	\$ 9,101	\$ 41,959	\$ (32,858)	-78.3%	\$ 1,713	\$ 9,101	\$ (7,388)	-81.2%
Other Income								
Interest Earnings	\$ 7,513	\$ 7,991	\$ (477)	-6.0%	\$ 10,924	\$ 7,513	\$ 3,411	45.4%
Connection Fees	\$ 9,985	\$ 9,985	\$ (9,985)	-100.0%	\$ 9,997	\$ -	\$ 9,997	100.0%
Total Other Income	\$ 7,513	\$ 17,976	\$ (10,462)	-58.2%	\$ 20,921	\$ 7,513	\$ 13,408	178.5%
Other Expense								
Depreciation	\$ 22,577	\$ 40,412	\$ (17,835)	-44.1%	\$ 22,634	\$ 22,577	\$ 57	0.3%
Total Other Expense	\$ 22,577	\$ 40,412	\$ (17,835)	-44.1%	\$ 22,634	\$ 22,577	\$ 57	0.3%
Net Other Income/Expense	\$ (15,064)	\$ (22,436)	\$ 7,373	-32.9%	\$ (1,713)	\$ (15,064)	\$ 13,351	-88.6%
Net Income	\$ (5,963)	\$ 19,522	\$ (25,486)	-130.5%	\$ -	\$ (5,963)	\$ 5,963	100.0%

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 \$9,100 (2.3%). The district adopted two rate increases in the fiscal year. The first rate increase was in July 2015 for 3.49%. This rate increase was a pass through of the increase of wholesale water costs from our supplier. The second increase was in January of 2016 for .12%. The second increase is an annual adjustment based on the fluctuation in the Consumer Price Index (CPI). The other variance of significance is the placement of a meter in the 2014-2015 fiscal year. The district has conservatively budgeted a small increase in revenues (1.2%) for the 2016-2017 fiscal year.

Water Expenses

Total Expenses increased \$41,958 (11.7%). The cost of purchased water increased \$12,209 (9.6%). This increase in cost is anticipated to continue and to increase again in the 2016-2017 fiscal year. Contract labor increased \$26,422 (15.9%). Contract labor includes engineering services and maintenance and operations services provided by the Humboldt Bay Municipal Water District (HBMWD). There was a small decrease in the cost of engineering expenses. 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. 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 is repaired or replaced. There were four major repairs to the district's distribution system, this accounts for the \$7,562 increase in maintenance costs. Bad Debt expenses decreased \$5,238 (-75.8%). The district has been placing more of an emphasis on keeping customer accounts current. A number of bad accounts were sent to a collection agency in 2014-2015.

Other Revenue

The district did not collect new connection fees. One connection occurred in the prior fiscal year and one connection is anticipated in the next fiscal year. The additional interest income projected for the 2016-2017 fiscal year is the result of financing the purchase of a water tender for the fire department.

Other Expenses

The major change in the depreciation schedule from the prior year is from the fully depreciated original construction of the water system. The original construction was completed in 1975.

**TABLE 5
RESULTS OF SEWER OPERATIONS
YEAR OVER YEAR – 2017 ADOPTED BUDGET**

Sewer	Column One - Year over Year				Column Two - 2016-2017 Budget to Actuals			
	Actuals	Actuals			Budget	Actuals		
	2015-2016	2014-2015	\$\$ Change	% Change	2016-2017	2015-2016	\$\$ Change	% Change
Revenues								
Sewer Sales	\$ 181,428	\$ 180,788	\$ 640	0.4%	\$ 181,722	\$ 181,428	\$ 294	0.2%
Fee for service	\$ 3,167	\$ 3,151	\$ 17	0.5%	\$ 3,070	\$ 3,167	\$ (97)	-3.1%
Other revenue	\$ -	\$ 32	\$ (32)	-100.0%	\$ -	\$ -	\$ -	0.0%
Total Revenue	\$ 184,595	\$ 183,971	\$ 625	0.3%	\$ 184,792	\$ 184,595	\$ 197	0.1%
Expenses								
Sewer Treatment	\$ 142,692	\$ 101,176	\$ 41,516	41.0%	\$ 115,792	\$ 142,692	\$ (26,900)	-18.9%
Contract Labor	\$ 26,048	\$ 23,884	\$ 2,165	9.1%	\$ 30,776	\$ 26,048	\$ 4,728	18.1%
Insurance	\$ 1,960	\$ 2,430	\$ (470)	-19.3%	\$ 2,028	\$ 1,960	\$ 68	3.5%
Professional services	\$ 4,323	\$ 4,312	\$ 11	0.2%	\$ 4,480	\$ 4,323	\$ 158	3.6%
Dues & Memberships	\$ 508	\$ 475	\$ 33	7.0%	\$ 508	\$ 508	\$ 0	0.1%
Utilities	\$ 9,597	\$ 7,045	\$ 2,552	36.2%	\$ 9,153	\$ 9,597	\$ (444)	-4.6%
Fuel	\$ -	\$ -	\$ -	0.0%	\$ 150	\$ -	\$ 150	100.0%
Property Taxes	\$ 324	\$ 324	\$ -	0.0%	\$ 324	\$ 324	\$ -	0.0%
Supplies	\$ 585	\$ 812	\$ (226)	-27.9%	\$ 590	\$ 585	\$ 5	0.8%
Maintenance/Line Repairs	\$ 4,806	\$ 3,810	\$ 996	26.1%	\$ 3,297	\$ 4,806	\$ (1,509)	-31.4%
Bad Debt/Bank fees	\$ 382	\$ 3,064	\$ (2,682)	-87.5%	\$ 1,200	\$ 382	\$ 818	213.8%
Interest Expense	\$ 9	\$ 156	\$ (147)	-94.1%	\$ -	\$ 9	\$ (9)	-100.0%
Licenses & Fees	\$ 2,730	\$ 829	\$ 1,901	229.4%	\$ 2,318	\$ 2,730	\$ (412)	-15.1%
Payroll expense	\$ 24,982	\$ 23,173	\$ 1,808	7.8%	\$ 24,826	\$ 24,982	\$ (156)	-0.6%
Total expense	\$ 218,947	\$ 171,490	\$ 47,457	27.7%	\$ 195,442	\$ 218,947	\$ (23,505)	-10.7%
Results of operations	\$ (34,351)	\$ 12,481	\$ (46,833)	-375.2%	\$ (10,650)	\$ (34,351)	\$ 23,701	-69.0%
Other Income								
Interest Earnings	\$ 737	\$ 473	\$ 264	55.8%	\$ 600	\$ 737	\$ (137)	-18.5%
Connection Fees	\$ -	\$ 12,430	\$ (12,430)	-100.0%	\$ 12,646	\$ -	\$ 12,646	100.0%
Total Other Income	\$ 737	\$ 12,903	\$ (12,166)	-94.3%	\$ 13,246	\$ 737	\$ 12,509	1698.4%
Other Expense								
Deprecion	\$ 86,219	\$ 86,216	\$ 3	0.0%	\$ 86,216	\$ 86,216	\$ -	0.0%
Total Other Expense	\$ 86,219	\$ 86,216	\$ 3	0.0%	\$ 86,216	\$ 86,216	\$ -	0.0%
Net Other Income/Expense	\$ (85,482)	\$ (73,313)	\$ (12,169)	16.6%	\$ (72,970)	\$ (85,479)	\$ 12,509	-14.6%
Net Income	\$ (119,834)	\$ (60,832)	\$ (59,002)	97.0%	\$ (83,620)	\$ (119,831)	\$ 36,211	-30.2%

Revenues

Sewer revenues experienced a very small increase. This small increase was due in part to an annual CPI adjustment passed in January of 2016 as well as a small increase in customer use.

Expenses

Sewer expenses increased \$47,457 (27.7%) from the prior year. The most significant increase was for effluent treatment by the City of Arcata. Treatment costs increased \$41,516 (41%). These costs were attributed to an El Nino event resulting in infiltration of ground water into the collection system. In March and April 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 work will be completed in the summer/fall of 2016. The budget for 2016-2017 reflects the savings the district is anticipating from the repair. A sewer rate study may be ordered by the board in the spring of 2017 if the infiltration repairs are not fully successful. 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 \$2,165 (9.1%). There was a small increase in the cost of contract labor from HBMWD. The balance of the increase was for engineering expenses related to registering for a Sanitary Sewer Systems Permit (SSSP) with the California Integrated Water Quality System (CIWQS). The permit application process will cross fiscal years and the balance of the costs associated with the permitting process are reflected in the budget for the subsequent fiscal year. This expense is one-time, although there will be an annual permit fee.

Utility expenses increased \$2,552 (36.2%). 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. Bad Debt expenses decreased \$2,682 (-87.5%). The district has been placing more of an emphasis on keeping customer accounts current. A number of bad accounts were sent to a collection agency in 2014-2015. Licenses & Fees expenses increased \$1,901 (229.4%) the largest portion of this increase is from an application fee paid to CIWQS for the SSSP. Payroll expenses increased \$1,808 (7.8%) due to the district conducted Sewer Inflow and Infiltration study.

Other Income

Earned interest income increased slightly. There was a new sewer connection in the prior 2014-2015 fiscal year and the district is anticipating one new connection in the subsequent 2016-2017 fiscal year.

TABLE 6
RESULTS OF FIRE OPERATIONS
YEAR OVER YEAR – 2017 ADOPTED BUDGET

Fire	Column One - Year over Year				Column Two - 2016-2017 Budget to Actuals			
	Actuals 2015-2016	Actuals 2014-2015	\$\$ Change	% Change	Budget 2016-2017	Actuals 2015-2016	\$\$ Change	% Change
Revenues								
Property Taxes	\$ 54,605	\$ 53,491	\$ 1,115	2.1%	\$ 54,079	\$ 54,605	\$ (526)	-1.0%
Special Benefit Assessment	\$ 54,378	\$ 21,021	\$ 33,357	158.7%	\$ 37,500	\$ 54,378	\$ (16,878)	-31.0%
Grant Income	\$ -	\$ 2,295	\$ (2,295)	-100.0%	\$ -	\$ -	\$ -	0.0%
Other Income	\$ 8,776	\$ 49	\$ 8,727	17809.4%	\$ 500	\$ 8,776	\$ (8,276)	-94.3%
Total Revenue	\$ 117,759	\$ 76,856	\$ 40,903	53.2%	\$ 92,079	\$ 117,759	\$ (17,404)	-14.8%
Expenses								
Director Fees	\$ 599	\$ 599	\$ -	0.0%	\$ 599	\$ 599	\$ -	0.0%
Benefit Assessment Fee	\$ 102	\$ 102	\$ (0)	-0.4%	\$ 102	\$ 102	\$ 0	0.2%
Insurance	\$ 15,482	\$ 13,597	\$ 1,885	13.9%	\$ 14,670	\$ 15,482	\$ (812)	-5.2%
Professional services	\$ 4,323	\$ 4,312	\$ 11	0.2%	\$ 4,480	\$ 4,323	\$ 158	3.6%
Dues & Memberships	\$ 2,368	\$ 1,691	\$ 677	40.0%	\$ 2,368	\$ 2,368	\$ 0	0.0%
Utilities	\$ 4,637	\$ 4,372	\$ 265	6.1%	\$ 5,053	\$ 4,637	\$ 416	9.0%
Transportation/travel	\$ 1,169	\$ 1,160	\$ 9	0.0%	\$ 1,164	\$ 1,169	\$ (5)	-0.4%
Supplies	\$ 3,345	\$ 1,910	\$ 1,435	75.1%	\$ 1,754	\$ 3,345	\$ (1,591)	-47.6%
Maintenance expenses	\$ 8,675	\$ 8,785	\$ (110)	-1.2%	\$ 7,650	\$ 8,675	\$ (1,025)	-11.8%
Equipment	\$ 1,453	\$ 6,185	\$ (4,732)	-76.5%	\$ 1,750	\$ 1,453	\$ 297	20.4%
Interest Expense	\$ 6,533	\$ 7,146	\$ (613)	-8.6%	\$ 10,309	\$ 6,533	\$ 3,776	57.8%
Licenses & Fees	\$ 5,442	\$ -	\$ 5,442	100.0%	\$ -	\$ 5,442	\$ (5,442)	-100.0%
Chief's incentive program	\$ 2,110	\$ 1,500	\$ 610	40.7%	\$ 2,000	\$ 2,110	\$ (110)	-5.2%
Fire Grant Expenses	\$ -	\$ 4,590	\$ (4,590)	-100.0%	\$ -	\$ -	\$ -	0.0%
Payroll Expenses	\$ 1,604	\$ 1,487	\$ 117	7.9%	\$ 1,620	\$ 1,604	\$ 16	1.0%
Total expense	\$ 57,842	\$ 57,434	\$ 407	0.7%	\$ 53,519	\$ 57,842	\$ (4,323)	-7.5%
Results of operations	\$ 59,917	\$ 19,421	\$ 40,496	208.5%	\$ 38,560	\$ 59,917	\$ (21,357)	-35.6%
Other Income								
Interest Earnings	\$ 857	\$ 795	\$ 62	7.7%	\$ 720	\$ 857	\$ (137)	-16.0%
In Kind Revenue	\$ 47,470	\$ -	\$ 47,470	100.0%	\$ -	\$ 47,470	\$ (47,470)	-100.0%
Total Other Income	\$ 48,327	\$ 795	\$ 47,531	5976.1%	\$ 720	\$ 48,327	\$ (47,607)	-98.5%
Other Expense								
Depreciation	\$ 42,818	\$ 44,511	\$ (1,693)	-3.8%	\$ 44,858	\$ 42,818	\$ 2,040	4.8%
Total Other Expense	\$ 42,818	\$ 44,511	\$ (1,693)	-3.8%	\$ 44,858	\$ 42,818	\$ 2,040	4.8%
Net Other Income/Expense	\$ 5,509	\$ (43,716)	\$ 49,224	-112.6%	\$ (44,138)	\$ 5,509	\$ (49,647)	-901.3%
Net Income	\$ 65,426	\$ (24,295)	\$ 89,720	-369.3%	\$ (5,578)	\$ 65,426	\$ (71,004)	-108.5%

Revenues

Revenues for the department increased \$40,903 (53.2%). In November 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 budget for the 2016-2017 fiscal year is corrected to reflect the voter approved rate of \$75 per parcel. Grant income decreased \$2,995 (100%) from the prior fiscal year. Other income increased \$8,727 (17809.4%). This income was generated from a mutual aid response for CAL Fire and the sale of a surplus truck. The district completed annexation proceedings for the incorporation of parcels historically served by the fire department in June 2016. There are approximately 46 parcels that will be subject to the \$75 special tax assessment. Also, there was an agreement reached with the Arcata Fire Protection District and the County of Humboldt for the exchange of ad-valorem property tax. The value of the 46 parcels subject to the \$75 per parcel tax is \$3,450, the value of the exchanged ad-valorem taxes has been estimated to be \$1,500 - \$1,800. Neither of these amounts has been budgeted for the 2016-2017 fiscal year.

Expenses

Expenses for the department increased \$407 (.7%). Insurance expenses increased \$1,885 (13.9%). This was due to an increase in worker's compensation and the addition of Air Med Ambulance insurance. The increase in worker's compensation was due to the increase of volunteers from the prior fiscal year. The district caps the number of volunteer at 21. There were approximately 14 volunteers in the prior fiscal year and approximately 20 in the audit fiscal year. The numbers are approximate due to timing of the disenrollment and enrollment dates of the individual volunteers and the subsequent proration of the expense. Dues and memberships increased \$677 (40.0%) due to the larger number of volunteers enrolled in the California State Fire Association. Supplies increased \$1,435 (75.1%). This was due to a one-time payment for an ad placed in the yellow pages and increased education expenses for the new volunteers. Equipment purchases decreased \$4,732 (-76.5%). In 2014-2015 a storage container was purchased to house emergency medical supplies and equipment. Also, helmets were replaced and VHB-Badges were purchased. Licenses & Fees increased \$5,442 (100.0%). These were one-time expenses related to the annexation proceedings. The fees were for an application to the Board of Equalization and for the mapping and legal descriptions of the annexation areas. Fire grant expenses decreased \$4,590 (-100.0%). The 2014-2015 grant was from the California Department of Forestry and was used to purchase new fire boots for the new volunteers.

Budgeted interest expenses increased \$3,776 (57.8%) in fiscal year 2016-2017 due to the inter-fund loan between the fire and water departments for the purchase of a water tender. In January 2016 the board authorized the purchase of the water tender for ten years at an initial rate of 4% per annum. To ease cash flow issues the board also authorized a refinancing of the fire house loan by extending the length of the loan from ten years to eighteen years at an initial rate of 4% per annum. Interest rates are evaluated each April for the subsequent fiscal year and based on the prime-rate as published by the Wall Street Journal. Both of the loans are for terms of length that exceed the special tax benefit that will expire in the 2024-2025 fiscal year. The resolutions approving the loans require the board to designate a portion of the fire departments ending fund balance each year to assure future debt payments could be made if a future special benefit tax assessment is not pursued or successful.

Other Income

The In-Kind Revenue was for wildfire and structure turnouts. These turnouts were purchased from the proceeds of Measure Z, a tax assessment administered by the County of Humboldt. Measure Z funding for the County of Humboldt is ongoing; however, the amount and type of equipment that the department will receive in the future is unknown.

Other Expense

Depreciation expenses vary slightly due to the additions and deletions of equipment.

Additional Budgetary Information

Additional budgetary information for the department can be found in the Required Supplementary Information section of the audited financial statements.

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

The purpose of the following table is to provide the change in net position over the prior three years as a result of operations. There can be volatility in the net position of each department. This is often traced to repairs, maintenance, special studies, or other expenditures that of a one-time nature. Depreciation expenses are not fully funded every year and this also erodes the value of the net position.

There are some modest improvements in the ending assets for the water and fire departments over the prior three years. The sewer department is significantly challenged by the small nature of its customer base. There are approximately 148 residential dwelling units in the Glendale area. For depreciation to be fully funded rates would need to increase approximately

\$49 dollars per month. The resulting charge for sewer would be approximately \$119 per month. Water and sewer service for this area would then average approximately \$162 per month.

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

Water Fund	2013-2014	2014-2015	2015-2016	Increase/Decrease from prior year
Current and Other Assets	\$ 609,585	\$ 649,573	\$ 612,579	\$ (36,994)
Capital and Fixed Assets	\$ 589,543	\$ 568,032	\$ 547,767	\$ (20,265)
Current and other Liabilities	\$ 65,961	\$ 88,306	\$ 64,094	\$ (24,211)
Long Term Liabilities	\$ 653,692	\$ 630,301	\$ 603,217	\$ (27,084)
Total Net Assets	\$ 479,475	\$ 498,997	\$ 493,034	\$ (5,963)
Net Assets - Beginning	\$ 526,105	\$ 479,475	\$ 498,999	\$ 19,524
Operating Revenues	\$ 365,919	\$ 419,502	\$ 418,140	\$ (1,362)
Operating Expenses	\$ 367,853	\$ 359,567	\$ 401,525	\$ 41,958
Net Operating Income	\$ (1,934)	\$ 59,935	\$ 16,614	\$ (43,321)
Depreciation Expenses	\$ 44,697	\$ 40,412	\$ 22,577	\$ (17,835)
Change in Net Assets	\$ (46,631)	\$ 19,523	\$ (5,963)	\$ (25,486)
Net Assets - Ending	\$ 479,475	\$ 498,999	\$ 493,034	\$ (5,965)
Sewer Fund	2013-2014	2014-2015	2015-2016	Increase/Decrease from prior year
Current and Other Assets	\$ 216,196	\$ 224,961	\$ 190,551	\$ (34,410)
Capital and Fixed Assets	\$ 2,166,376	\$ 2,080,160	\$ 1,993,941	\$ (86,219)
Current and other Liabilities	\$ 24,825	\$ 12,510	\$ 15,716	\$ 3,207
Long Term Liabilities	\$ 8,305	\$ 4,002	\$ -	\$ (4,002)
Total Net Assets	\$ 2,349,443	\$ 2,288,610	\$ 2,168,777	\$ (119,835)
Net Assets - Beginning	\$ 2,416,262	\$ 2,349,441	\$ 2,288,609	\$ (60,832)
Operating Revenues	\$ 170,323	\$ 196,874	\$ 185,332	\$ (11,542)
Operating Expenses	\$ 152,035	\$ 171,490	\$ 218,947	\$ 47,457
Net Operating Income	\$ 18,288	\$ 25,384	\$ (33,615)	\$ (58,999)
Depreciation Expenses	\$ 85,108	\$ 86,216	\$ 86,219	\$ 3
Change in Net Assets	\$ (66,820)	\$ (60,832)	\$ (119,834)	\$ (59,002)
Net Assets - Ending	\$ 2,349,441	\$ 2,288,609	\$ 2,168,776	\$ (119,834)
Fire Fund	2013-2014	2014-2015	2015-2016	Increase/Decrease from prior year
Current and Other Assets	\$ 111,072	\$ 93,303	\$ 133,417	\$ 40,114
Capital and Fixed Assets	\$ 447,956	\$ 423,579	\$ 550,965	\$ 127,386
Current and other Liabilities	\$ 3,620	\$ 934	\$ 8,785	\$ 7,851
Long Term Liabilities	\$ 182,400	\$ 167,236	\$ 261,459	\$ 94,223
Total Net Assets	\$ 373,007	\$ 348,713	\$ 414,138	\$ 65,426
Net Assets - Beginning	\$ 375,878	\$ 373,007	\$ 348,713	\$ (24,294)
Operating Revenues	\$ 74,731	\$ 77,651	\$ 166,085	\$ 88,434
Operating Expenses	\$ 40,272	\$ 57,434	\$ 57,842	\$ 408
Net Operating Income	\$ 34,460	\$ 20,217	\$ 108,244	\$ 88,027
Depreciation Expenses	\$ 37,330	\$ 44,511	\$ 42,818	\$ (1,693)
Change in Net Assets	\$ (2,870)	\$ (24,294)	\$ 65,426	\$ 89,720
Net Assets - Ending	\$ 373,007	\$ 348,713	\$ 414,138	\$ 65,425

**TABLE 8
CAPITAL ASSETS PROPERTY & EQUIPMENT**

	<u>FY 2014-2015</u>	<u>FY 2015-2016</u>	<u>Difference</u>
<u>Water</u>			
Land	\$ 6,461	\$ 6,461	\$0
Water System Infrastructure	\$ 1,817,243	\$ 1,819,553	\$2,310
<u>Sewer</u>			
Land	\$ 20,860	\$ 20,860	\$0
Sewer System Infrastructure	\$ 3,930,928	\$ 3,930,928	\$0
<u>Fire</u>			
Land	\$ 5,106	\$ 5,106	\$0
Buildings	\$ 359,674	\$ 359,674	\$0
Equipment - Trucks, Clothing, Radios, Tools	\$ 625,975	\$ 720,485	\$94,510
Total Property & Equipment	\$ 6,766,247	\$ 6,863,067	\$96,820
Less Accumulated Depreciation	\$ (3,694,477)	\$ (3,770,394)	(\$75,917)
Total Property & Equipment (net of depreciation)	\$ 3,071,770	\$ 3,092,673	\$20,903

Capital Assets

The District had \$3.09 million (net of accumulated depreciation) invested in a broad range of utility capital assets as of June 30, 2016. 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 9
LONG TERM DEBT**

	<u>FY 2014-2015</u>	<u>FY 2015-2016</u>	<u>Difference</u>
<u>Water</u>			
L/T Davis Grunsky Loan	\$ 332,342	\$ 316,851	(\$15,491)
L/T Davis Grunsky Deferred Interest	\$ 58,010	\$ 54,782	(\$3,228)
L/T I-Bank	\$ 211,582	\$ 203,385	(\$8,197)
<u>Sewer</u>			
L/T State Water Resource Control Board	\$ -	\$ -	\$0
Total L/T Notes - Water & Sewer	\$ 601,934	\$ 575,018	(\$26,916)
Current Portion - Water & Sewer	\$ 29,174	\$ 26,916	(\$2,258)
Total Water & Sewer Debt	\$ 631,108	\$ 601,934	(\$29,174)
<u>Fire</u>			
L/T Fire to Water - Firehouse Expansion	\$ 151,459	\$ 145,575	(\$5,884)
L/T Fire to Water - Truck	\$ -	\$ 100,855	\$100,855
Total L/T Notes - Fire	\$ 151,459	\$ 246,430	\$94,971
Current Portion - Fire	\$ 15,777	\$ 15,029	(\$748)
Total Fire Debt	\$ 167,236	\$ 261,459	\$94,223
Total L/T Notes Payable	\$ 753,393	\$ 821,448	\$ 68,055
Total Current Notes Payable	\$ 44,951	\$ 41,945	(\$3,006)
Total Debt	\$ 798,344	\$ 863,393	\$65,049

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.

Construction of the wastewater collection facility was financed in part by a \$89,503 loan from the State Water Resources Control Board, dated December 12, 1990. The loan bearing interest at 3.4225% is payable in annual installments for twenty-five years with the loan maturing December 11, 2015.

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 4.0% 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, 2016

	Governmental Activities	Business-Type Activities	Totals
Assets			
Current Assets:			
Cash in Checking	\$ -	\$ 17,423	\$ 17,423
Cash in Savings	5,338	155,633	160,971
Cash in LAIF	-	254,138	254,138
Cash in County Treasury	96,525	-	96,525
Accounts Receivable - Net	-	59,935	59,935
Grant and Other Receivables	5,061	-	5,061
Interest Receivable	167	351	518
Prepaid Expenses	10,977	4,191	15,168
Total Current Assets	<u>118,068</u>	<u>491,671</u>	<u>609,739</u>
Capital Assets:			
Land	5,106	6,351	11,457
Rights-of-Way	-	20,970	20,970
Sewage Collection System	-	3,930,422	3,930,422
Building and Equipment	1,080,160	34,245	1,114,405
Water Distribution System	-	1,785,815	1,785,815
Less Accumulated Depreciation	<u>(534,300)</u>	<u>(3,236,094)</u>	<u>(3,770,394)</u>
Capital Assets Net of Accumulated Depreciation	<u>550,966</u>	<u>2,541,709</u>	<u>3,092,675</u>
Other Assets			
Interfund Loans Receivable/(Payable)	(261,459)	261,459	-
Board Designated Cash - Fire Debt Service and Water Rate Stabilization Reserves	15,347	50,000	65,347
Total Other Assets	<u>(246,112)</u>	<u>311,459</u>	<u>65,347</u>
 Total Assets	 <u>422,922</u>	 <u>3,344,839</u>	 <u>3,767,761</u>
Liabilities			
Current Liabilities:			
Accounts Payable	8,786	75,929	84,715
Customer Deposits	-	1,851	1,851
Interest Payable	-	3,312	3,312
Current Portion of Notes Payable	-	23,687	23,687
Current Portion of Deferred Interest	-	3,228	3,228
Total Current Liabilities	<u>8,786</u>	<u>108,007</u>	<u>116,793</u>
Non-Current Liabilities:			
Notes Payable, Net of Current Portion	-	520,236	520,236
Deferred Interest Payable, Net of Current Portion	-	54,782	54,782
Total Non-Current Liabilities	<u>-</u>	<u>575,018</u>	<u>575,018</u>
Total Liabilities	<u>8,786</u>	<u>683,025</u>	<u>691,811</u>
Net Position			
Net investment in Capital Assets	550,966	1,939,776	2,490,742
Unrestricted	<u>(136,830)</u>	<u>722,038</u>	<u>585,208</u>
Total Net Position	<u>\$ 414,136</u>	<u>\$ 2,661,814</u>	<u>\$ 3,075,950</u>

See accompanying notes.

FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2016

	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	\$ 100,664	\$ -	\$ 47,470	\$ (53,194)	\$ -	\$ (53,194)
Total Governmental Activities	100,664	-	47,470	(53,194)	-	(53,194)
Business-Type Activities:						
Water	422,470	408,762	-	-	(13,708)	(13,708)
Sewer	304,779	184,213	-	-	(120,566)	(120,566)
Total Business-Type Activities	727,249	592,975	-	-	(134,274)	(134,274)
Total	\$ 827,913	\$ 592,975	\$ 47,470	\$ (53,194)	\$ (134,274)	\$ (187,468)
Change in Net Position:						
Net (Expense) Revenue				\$ (53,194)	\$ (134,274)	\$ (187,468)
General Revenues:						
Taxes:						
Current Secured Taxes				49,367	-	49,367
Current Unsecured Taxes				2,476	-	2,476
Prior Year Taxes				934	-	934
Timber Yield Tax				103	-	103
Proposition 172 Revenue				991	-	991
Homeowners' Exemptions				734	-	734
Property Tax Assessments				54,378	-	54,378
Miscellaneous Income				8,776	232	9,008
Unrestricted Investment Earnings				857	8,250	9,107
Total Revenues				118,616	8,482	127,098
Change in Net Position				65,422	(125,792)	(60,370)
Net Position - Beginning of Year				348,714	2,787,606	3,136,320
Net Position - End of Year				\$ 414,136	\$ 2,661,814	\$ 3,075,950

See accompanying notes.

**FLDDBROOK GLENDALD COMMUNITY SERVICES DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2016**

Assets

Cash in Savings	\$	5,338
Cash in County Treasury		111,872
Grant Receivable		5,061
Interest Receivable		167
Prepaid Expenses		<u>10,977</u>

Total Assets \$ 133,415

Liabilities and Fund Balance

Liabilities:

Accounts Payable	\$	8,786
Interfund Loans Payable		<u>261,459</u>
Total Liabilities		270,245

Fund Balance - Unassigned (136,830)

Total Liabilities and Fund Balance \$ 133,415

Total Fund Balance - Government Fund \$ (136,830)

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:

550,966

Net Position - Governmental Activities \$ 414,136

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, 2016

Revenues

General Revenues:	
Current Secured Taxes	\$ 49,367
Current Unsecured Taxes	2,476
Prior Year Taxes	934
Timber Yield Tax	103
Proposition 172 Revenue	991
Homeowners' Exemptions	734
Property Tax Assessments	54,378
Total General Revenues	<u>108,983</u>
In-Kind Revenue	47,470
Miscellaneous Income	8,776
Unrestricted Investment Earnings	857
Total Revenues	<u><u>166,086</u></u>

Expenditures

Fire Protection:	
Current	
Chief's Expenses	599
Insurance	15,484
Professional Services	4,323
Dues and Memberships	2,368
Utilities	4,637
Transportation and Travel	1,169
Supplies	3,345
Maintenance	8,677
Equipment and Small Tools	1,453
Benefit Assessment Collection Fee	102
Chief's Incentive Program	2,110
Licenses	5,442
Payroll	1,604
Capital Outlay	170,204
Interest on Interfund Loan	6,533
Total Fire Protection Expenditures	<u>228,050</u>
Excess of Expenditures over Revenues	(61,964)
Fund Balance, Beginning of Year	<u>(74,866)</u>
Fund Balance, End of Year	<u><u>\$ (136,830)</u></u>

Net Change in Fund Balance - Governmental Fund \$ (61,964)

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 (42,818)

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

170,204

Change in Net Position - Governmental Activities \$ 65,422

See accompanying notes.

FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2016

	Water Fund	Sewer Fund	Total
Assets			
Current Assets:			
Cash in Checking	\$ 17,423	\$ -	\$ 17,423
Cash in Savings	131,137	24,496	155,633
Cash in LAIF	108,673	145,465	254,138
Accounts Receivable - Net	41,540	18,395	59,935
Interest Receivable	183	168	351
Prepaid Expenses	2,163	2,028	4,191
Total Current Assets	<u>301,119</u>	<u>190,552</u>	<u>491,671</u>
Capital Assets:			
Land	6,351	-	6,351
Rights-of-Way	110	20,860	20,970
Sewage Collection System	-	3,930,422	3,930,422
Buildings and Equipment	33,739	506	34,245
Water Distribution System	1,785,815	-	1,785,815
Less Accumulated Depreciation	<u>(1,278,247)</u>	<u>(1,957,847)</u>	<u>(3,236,094)</u>
Capital Assets, Net of Accumulated Depreciation	<u>547,768</u>	<u>1,993,941</u>	<u>2,541,709</u>
Other Assets			
Interfund Loans Receivable	261,459	-	261,459
Board Designated Cash - Water Rate Stabilization Reserve	50,000	-	50,000
Total Other Assets	<u>311,459</u>	<u>-</u>	<u>311,459</u>
Total Assets	<u>1,160,346</u>	<u>2,184,493</u>	<u>3,344,839</u>
Liabilities			
Current Liabilities:			
Accounts Payable	60,783	15,146	75,929
Customer Deposits	1,283	568	1,851
Interest Payable	3,312	-	3,312
Current Portion of Notes Payable	23,687	-	23,687
Current Portion of Deferred Interest Payable	3,228	-	3,228
Total Current Liabilities	<u>92,293</u>	<u>15,714</u>	<u>108,007</u>
Non-Current Liabilities:			
Notes Payable, Net of Current Portion	520,236	-	520,236
Deferred Interest Payable, Net of Current Portion	54,782	-	54,782
Total Non-Current Liabilities	<u>575,018</u>	<u>-</u>	<u>575,018</u>
Total Liabilities	<u>667,311</u>	<u>15,714</u>	<u>683,025</u>
Net Position			
Net Investment in Capital Assets	(54,165)	1,993,941	1,939,776
Unrestricted	547,200	174,838	722,038
Total Net Position	<u>\$ 493,035</u>	<u>\$ 2,168,779</u>	<u>\$ 2,661,814</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, 2016

	Water Fund	Sewer Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Operating Revenues:			
Water Sales and Sewer Charges	\$ 402,855	\$ 181,428	\$ 584,283
Late Fees	5,880	2,532	8,412
Installation and Permit Fees	1,659	635	2,294
Adjustments and Bad Debts	<u>(1,632)</u>	<u>(382)</u>	<u>(2,014)</u>
Total Operating Revenues	<u>408,762</u>	<u>184,213</u>	<u>592,975</u>
Operating Expenses:			
Purchased Water and Sewer Service	139,289	142,692	281,981
Directors' Fees	2,995	-	2,995
Contract Labor and Administration	192,385	26,049	218,434
Insurance	2,058	1,960	4,018
Professional Services	4,323	4,323	8,646
Dues and Memberships	3,694	508	4,202
Utilities	12,803	9,597	22,400
Depreciation	22,577	86,219	108,796
Property Taxes	324	324	648
Supplies	926	585	1,511
Maintenance	12,538	4,806	17,344
Bank Charges	38	-	38
Miscellaneous	-	2,725	2,725
Payroll	<u>11,228</u>	<u>24,982</u>	<u>36,210</u>
Total Operating Expenses	<u>405,178</u>	<u>304,770</u>	<u>709,948</u>
Operating Income (Loss)	3,584	(120,557)	(116,973)
Non-operating Revenues (Expenses):			
Miscellaneous Revenue	232	-	232
Interest Revenue	7,513	737	8,250
Interest Expense	<u>(17,292)</u>	<u>(9)</u>	<u>(17,301)</u>
Changes in Net Position	(5,963)	(119,829)	(125,792)
Net Position - Beginning of Year	<u>498,998</u>	<u>2,288,608</u>	<u>2,787,606</u>
Net Position - End of Year	<u>\$ 493,035</u>	<u>\$ 2,168,779</u>	<u>\$ 2,661,814</u>

See accompanying notes.

FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2016

	Water Fund	Sewer Fund	Total
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 406,443	\$ 183,844	\$ 590,287
Cash Paid for Operating Expenses	(386,970)	(192,219)	(579,189)
Cash Paid to Employees for Services	(11,228)	(24,982)	(36,210)
Net Cash Provided (Used) by Operating Activities	<u>8,245</u>	<u>(33,357)</u>	<u>(25,112)</u>
Cash Flows from Capital and Related Financing Activities:			
Equipment purchases	(2,313)	-	(2,313)
Principal Payments on Notes Payable	(22,990)	(2,957)	(25,947)
Interest Payments on Notes Payable	(20,630)	(55)	(20,685)
Net Cash Provided (Used) in Capital and Related Financing Activities	<u>(45,933)</u>	<u>(3,012)</u>	<u>(48,945)</u>
Cash Flows from Investing Activities:			
Interest Received	7,509	664	8,173
Interfund Loan to Fire Fund	(110,000)	-	(110,000)
Principal payments on Interfund Loan to Fire Fund	15,777	-	15,777
Net Cash Provided (Used) by Investing Activities	<u>(86,714)</u>	<u>664</u>	<u>(86,050)</u>
Increase (Decrease) in Cash and Cash Equivalents	(124,402)	(35,705)	(160,107)
Cash, Beginning of Year	<u>431,635</u>	<u>205,666</u>	<u>637,301</u>
Cash, End of Year (Note 2)	<u>\$ 307,233</u>	<u>\$ 169,961</u>	<u>\$ 477,194</u>
Operating Income (Loss)	\$ 3,584	\$ (120,557)	\$ (116,973)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows Provided by Operating Activities:			
Depreciation	22,577	86,219	108,796
Miscellaneous Income	232	-	232
Change in Assets and Liabilities:			
Accounts Receivable	(1,684)	67	(1,617)
Other Receivables	10,497	-	10,497
Prepaid Expenses	(1,992)	(1,290)	(3,282)
Accounts Payable	(24,102)	2,640	(21,462)
Customer Deposits	(867)	(436)	(1,303)
Net Cash Flows from Operating Activities	<u>\$ 8,245</u>	<u>\$ (33,357)</u>	<u>\$ (25,112)</u>

See accompanying notes.

FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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.

FLDDBROOK GLENDALF COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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.

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, 2016

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 .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, 2016

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, 2016

NOTE 2 – CASH AND INVESTMENT FUNDS

Cash and investment funds at June 30, 2016, consist of the following:

		<u>General Fund - Fire District</u>		
Commercial Account		\$	5,338	
Pooled Funds Humboldt County – Board Designated			15,347	
Pooled Investment Funds Humboldt County			<u>96,525</u>	
Total Cash and Investment Funds General Fund			<u>\$ 117,210</u>	
Enterprise Funds				
		<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Commercial Accounts:				
Checking	\$	17,423	\$ -	\$ 17,423
Savings		<u>131,137</u>	<u>24,496</u>	<u>155,633</u>
		<u>148,560</u>	<u>24,496</u>	<u>173,056</u>
Pooled Investment Funds:				
Local Agency Investment Fund (LAIF)		108,673	145,465	254,138
Board Designated (LAIF)		<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total LAIF		<u>158,673</u>	<u>145,465</u>	<u>304,138</u>
Total Cash and Investment Funds Enterprise Funds		<u>\$ 307,233</u>	<u>\$ 169,961</u>	<u>\$ 477,194</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, 2016, 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, 2016

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, 2016, consists of the following:

	<u>Water</u>	<u>Enterprise Funds Sewer</u>	<u>Total</u>
Accounts Receivables per HBMWD			
Utility Billing Aging Report	\$ 44,474	\$ 19,694	\$ 64,168
Customer Deposits per Report	1,283	568	1,851
Allowance for Uncollectable Accounts	<u>(4,217)</u>	<u>(1,867)</u>	<u>(6,084)</u>
Accounts Receivable - Net	<u>\$ 41,540</u>	<u>\$ 18,395</u>	<u>\$ 59,935</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, 2016, is as follows:

	<u>Balance 6/30/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/16</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>625,980</u>	<u>170,204</u>	<u>(75,697)</u>	<u>720,487</u>
Total Capital Assets Being Depreciated	985,653	170,204	(75,697)	1,080,160
Less: Accumulated Depreciation	<u>(567,179)</u>	<u>(42,818)</u>	<u>75,967</u>	<u>(534,300)</u>
Capital Assets Being Depreciated, Net	<u>418,474</u>	<u>127,386</u>	<u>-</u>	<u>545,860</u>
Investment in Capital Assets	<u>\$ 423,580</u>	<u>\$ 127,386</u>	<u>\$ -</u>	<u>\$ 550,966</u>

FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Depreciation expense of \$42,818 was charged to the General Fund - Fire Department for the year ended June 30, 2016.

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, 2016, is as follows:

	Balance 6/30/15	Additions	Deletions	Balance 6/30/16
<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	1,783,502	2,313	-	1,785,815
Less: Accumulated Depreciation	<u>(1,255,670)</u>	<u>(22,577)</u>	<u>-</u>	<u>(1,278,247)</u>
Capital Assets Being Depreciated, Net	<u>561,571</u>	<u>(20,264)</u>	<u>-</u>	<u>541,307</u>
Net Property, Plant and Equipment	568,032	(20,264)	-	547,768
Related Debt	<u>(628,151)</u>	<u>-</u>	<u>26,217</u>	<u>(601,934)</u>
Investment in Capital Assets, Net of Related Debt	<u>\$ (60,119)</u>	<u>\$ (20,264)</u>	<u>\$ 26,217</u>	<u>\$ (54,166)</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	-	-	3,930,422
Less: Accumulated Depreciation	<u>(1,871,628)</u>	<u>(86,219)</u>	<u>-</u>	<u>(1,957,847)</u>
Total Capital Assets Being Depreciated	<u>2,059,300</u>	<u>(86,219)</u>	<u>-</u>	<u>1,973,081</u>
Net Property, Plant and Equipment	2,080,160	(86,219)	-	1,993,941
Related Debt	<u>(2,957)</u>	<u>-</u>	<u>2,957</u>	<u>-</u>
Investment in Capital Assets, Net of Related Debt	<u>\$ 2,077,203</u>	<u>\$ (86,219)</u>	<u>\$ 2,957</u>	<u>\$ 1,993,941</u>

Depreciation expense of \$22,577 and \$86,219 was charged to Water and Sewer Fund operations, respectively, for the year ended June 30, 2016.

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 with annual interest rate reviews, is payable in semi-annual installments with the loan maturing on June 30, 2034.

FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

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

The installation of a New Aluminum Dome Roof onto the District's Anker Lane 400,000 gallon water reservoir was financed by the California Infrastructure and Economic Development Bank (I-Bank). The effective date of the agreement was May 1, 2009. The principal amount of the loan was \$254,457. Due to declining interest rates, I-Bank initiated refinancing, and the loan was refinanced as of March 1, 2014. Principal payments are due annually on August 1, and the loan matures on August 1, 2034. Interest at 3.82% (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 construction of the wastewater collection facility was financed in part by a loan in the amount of \$89,503 from the State Water Resources Control Board (SWRCB), dated December 12, 1990. The loan bearing interest at 3.42% was payable in annual installments each February 14th for twenty-five years and matured on December 11, 2015.

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, 2016, is as follows:

	<u>Balance</u> <u>6/30/15</u>	<u>Advance</u>	<u>Payment</u>	<u>Balance</u> <u>6/30/16</u>
Fire Fund				
Interfund Loans from				
Water Fund	\$ 167,236	\$ 110,000	\$ (15,777)	\$ 261,459
Less: Current Portion	<u>(15,777)</u>	-	<u>748</u>	<u>(15,029)</u>
Long-term Liabilities	<u>\$ 151,459</u>	<u>\$ 110,000</u>	<u>\$ (15,029)</u>	<u>\$ 246,430</u>

FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

The activity for the long-term obligations, of which all is revenue debt, for the business-type activities for the year ended June 30, 2016, is as follows:

	<u>Balance</u> <u>6/30/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/16</u>
Sewer Fund				
SWRCB	\$ 2,957	\$ -	\$ (2,957)	\$ -
Less: Current Portion	<u>(2,957)</u>	<u>-</u>	<u>2,957</u>	<u>-</u>
Long-term Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>Balance</u> <u>6/30/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/16</u>
Water Fund				
I-Bank	\$ 219,459	\$ -	\$ (7,877)	\$ 211,582
DG Principal	347,454	-	(15,113)	332,341
DG Deferred Interest	<u>61,238</u>	<u>-</u>	<u>(3,228)</u>	<u>58,010</u>
Total	628,151	-	(26,218)	601,933
Less: Current Portion	<u>(26,217)</u>	<u>-</u>	<u>(698)</u>	<u>(26,915)</u>
Long-term Liabilities	<u>\$ 601,934</u>	<u>\$ -</u>	<u>\$ (26,916)</u>	<u>\$ 575,018</u>

The annual debt service requirements to maturity are as follows:

Interfund Loan from Water Fund to Fire Fund - Firehouse Renovation

Year Ending	<u>Principal</u>	<u>Interest</u>
<u>June 30</u>		
2017	\$ 5,884	\$ 6,000
2018	6,122	5,762
2019	6,369	5,515
2020	6,627	5,258
2021	6,895	4,990
2022 to 2026	38,881	20,540
2027 to 2031	47,396	12,025
2032 to 2034	<u>33,285</u>	<u>2,369</u>
Total	151,459	62,459
Due within one year	<u>(5,884)</u>	<u>(6,000)</u>
Due after one year	<u>\$ 145,575</u>	<u>\$ 56,459</u>

FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Interfund Loan from Water Fund to Fire Fund - Water Tender

Year Ending June 30	Principal	Interest
2017	\$ 9,145	\$ 4,309
2018	9,514	3,940
2019	9,899	3,555
2020	10,299	3,156
2021	10,715	2,740
2022 to 2026	<u>60,428</u>	<u>6,845</u>
Total	110,000	24,545
Due within one year	<u>(9,145)</u>	<u>(4,309)</u>
Due after one year	<u>\$ 100,855</u>	<u>\$ 20,236</u>

California Infrastructure and Economic Development Bank

Year Ending June 30	Principal	Interest
2017	\$ 8,197	\$ 7,926
2018	8,531	7,606
2019	8,878	7,274
2020	9,240	6,928
2021	9,616	6,567
2022 to 2026	54,277	26,902
2027 to 2031	66,259	15,427
2032 to 2033	<u>46,584</u>	<u>2,717</u>
Total	211,582	81,347
Due within one year	<u>(8,197)</u>	<u>(7,926)</u>
Due after one year	<u>\$ 203,385</u>	<u>\$ 73,421</u>

Davis Grunsky

Year Ending June 30	Principal	Interest	Deferred Interest
2017	\$ 15,490	\$ 8,105	\$ 3,228
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 to 2026	92,122	25,730	16,141
2027 to 2031	104,227	13,561	16,141
2032 to 2034	<u>54,570</u>	<u>1,720</u>	<u>9,588</u>
Total	332,341	77,562	58,010
Due within one year	<u>(15,490)</u>	<u>(8,105)</u>	<u>(3,228)</u>
Due after one year	<u>\$ 316,851</u>	<u>\$ 69,457</u>	<u>\$ 54,782</u>

FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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.

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.

FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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 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 \$283.67 to Central Avenue Service Station for services and supplies. Central Avenue Service Station is owned by Richard Grissom, a District Board Member.

FLDDBROOK GLENDALD COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 10 – BOARD DESIGNATED ASSETS - WATER RATE STABILIZATION RESERVE AND RESTRICTED NET ASSETS

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.

NOTE 12 – SUBSEQUENT EVENTS

Subsequent to June 30, 2016, the District began working with legal counsel to update the District's policies and procedures for collecting past, due customer utility receivables. Among the collection options under consideration is the placement of a lien on real property associated with the delinquent accounts.

REQUIRED SUPPLEMENTARY INFORMATION

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2016**

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Positive (Negative) Variance
Revenues				
General Revenues	\$ 107,095	\$ 108,983	\$ 108,983	\$ -
Other Revenue	-	8,776	8,776	-
Unrestricted Investment Earnings	700	857	857	-
InKind Revenue	-	47,470	47,470	-
	<u>107,795</u>	<u>166,086</u>	<u>166,086</u>	<u>-</u>
Revenues				
Expenditures:				
Chief's Expenses	599	599	599	-
Insurance	14,284	15,481	15,484	(3)
Interest	6,534	6,534	6,533	1
Professional Services	4,312	4,322	4,323	(1)
Dues and Memberships	2,067	2,368	2,368	-
Utilities	4,758	4,637	4,637	-
Transportation and Travel	1,288	1,169	1,169	-
Supplies	1,432	3,345	3,345	-
Maintenance	8,920	8,675	8,677	(2)
Equipment and Small Tools	1,900	1,453	1,453	-
Capital Purchases	-	-	170,204	(170,204)
Benefit Assessment Fee	102	102	102	-
Chief's Incentive Program	1,500	2,110	2,110	-
Licenses	-	5,442	5,442	-
Payroll	1,650	1,604	1,604	-
	<u>49,346</u>	<u>57,841</u>	<u>228,050</u>	<u>(170,209)</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 58,449</u>	<u>\$ 108,245</u>	<u>(61,964)</u>	<u>\$ (170,209)</u>
Fund Balance, Beginning of Year			(74,866)	
Fund Balance, End of Year			<u>\$ (136,830)</u>	
Total Fund Balance - Government Fund			\$ (136,830)	
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:			550,966	
Net Position of Governmental Activities			<u>\$ 414,136</u>	
Net Change in Fund Balance - Government Fund			\$ (61,964)	
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			(42,818)	
Governmental funds report capital outlays as expenditures since they require the use of current financial resources. Capital outlays for the current period were:			170,204	
Change in Net Position of Governmental Activities			<u>\$ 65,422</u>	

See accompanying notes.