

**FLDDBROOK GLENDALF COMMUNITY SERVICES DISTRICT**

**BASIC FINANCIAL STATEMENTS**

**AND**

**REQUIRED SUPPLEMENTARY INFORMATION**

**As of and for the Year Ended June 30, 2019**

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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, 2019, 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, 2019, 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 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Hunter, Hunter & Hunt*

December 20, 2019

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

## Management's Discussion and Analysis For Fiscal Year Ending June 30, 2019

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

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

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

### **Organization and Business**

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

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

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

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

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

### **Financial Summary**

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

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

	FY 2018-19			FY 2017-18			Change	
	Governmental	Business Type	Total	Governmental	Business Type	Total	\$	%
	(Fire)	(Water/Sewer)		(Fire)	(Water/Sewer)			
Current and other assets	\$ 158,220	\$ 342,642	\$ 500,862	\$ 134,297	\$ 380,745	\$ 515,042	\$ (14,180)	-2.75%
Board designated assets	\$ 61,389	\$ 50,000	\$ 111,389	\$ 46,042	\$ 50,000	\$ 96,042	\$ 15,347	15.98%
Notes Receivable/Payable	\$ (215,389)	\$ 215,389	\$ -	\$ (231,255)	\$ 231,255	\$ -	\$ -	0.00%
Capital/Fixed assets	\$ 466,076	\$ 2,341,360	\$ 2,807,436	\$ 486,194	\$ 2,406,978	\$ 2,893,172	\$ (85,736)	-2.96%
<b>Total Assets</b>	<b>\$ 470,296</b>	<b>\$ 2,949,391</b>	<b>\$ 3,419,687</b>	<b>\$ 435,278</b>	<b>\$ 3,068,978</b>	<b>\$ 3,504,256</b>	<b>\$ (84,569)</b>	<b>-2.41%</b>
Current and other liabilities	\$ 22,926	\$ 141,456	\$ 164,382	\$ 298	\$ 147,755	\$ 148,053	\$ 16,329	11.03%
Long term liabilities	\$ -	\$ 489,851	\$ 489,851	\$ -	\$ 519,000	\$ 519,000	\$ (29,149)	-5.62%
<b>Total Liabilities</b>	<b>\$ 22,926</b>	<b>\$ 631,307</b>	<b>\$ 654,233</b>	<b>\$ 298</b>	<b>\$ 666,755</b>	<b>\$ 667,053</b>	<b>\$ (12,820)</b>	<b>-1.92%</b>
Investment in capital assets (net of related debt)	\$ 466,076	\$ 1,851,509	\$ 2,317,585	\$ 486,194	\$ 1,859,597	\$ 2,345,791	\$ (28,206)	-1.20%
Unrestricted	\$ (80,095)	\$ 416,575	\$ 336,480	\$ (97,256)	\$ 492,626	\$ 395,370	\$ (58,890)	-14.89%
Board Assigned	\$ 61,389	\$ 50,000	\$ 111,389	\$ 46,042	\$ 50,000	\$ 96,042	\$ 15,347	15.98%
<b>Net Position</b>	<b>\$ 447,370</b>	<b>\$ 2,318,084</b>	<b>\$ 2,765,454</b>	<b>\$ 434,980</b>	<b>\$ 2,402,223</b>	<b>\$ 2,837,203</b>	<b>\$ (71,749)</b>	<b>-2.53%</b>

The District’s net position for all funds as of June 30, 2019, was \$2,765,454 a decrease of \$71,749 (2.53%) as compared to June 30, 2018. Current and other assets include cash in banks, accounts receivable, grants, other receivables and pre-paid expenses. Current and other assets decreased \$14,180 (2.75%) as compared to June 30, 2018.

Capital and fixed assets represent the largest portion of the District’s assets. These assets include the infrastructure required to provide water, sewer and public safety services. The investments in capital assets include land, buildings, equipment, the sewage collection system and the water distribution system. The value of these investments, except for land, depreciate on a fixed schedule each year, based on what is determined to be their “useful” life at the time of purchase. The District has a total of \$2,807,436 invested in capital assets, net of depreciation.

Current liabilities include accounts payable, customer deposits, interest payable, and the current portion of long-term notes payable. Long-term notes payable is comprised of debt due after one year. The net investment in capital assets is the net of capital assets less the related debt. The board has established a water rate stabilization reserve of \$50,000 to remain compliant with the terms of the installment loan from the California Infrastructure and Economic Development Bank. Also, the board has designated a fire fund reserve of \$61,389 for future debt payments.

**TABLE 2**  
**CONDENSED STATEMENTS OF NET POSITION BY FUND**  
**JUNE 30, 2019**

	Water	Sewer	Fire	Total
Current and other assets	\$ 289,018	\$ 53,624	\$ 158,220	\$ 500,862
Capital/Fixed assets	\$ 551,509	\$ 1,789,851	\$ 466,076	\$ 2,807,436
Notes Receivable/Payable	\$ 280,389	\$ (65,000)	\$ (215,389)	\$ -
Board Assigned	\$ 50,000	\$ -	\$ 61,389	\$ 111,389
Total Assets	\$ 1,170,917	\$ 1,778,475	\$ 470,296	\$ 3,419,687
Current and other liabilities	\$ 117,622	\$ 23,834	\$ 22,926	\$ 164,382
Long Term Liabilities	\$ 489,851	\$ -	\$ -	\$ 489,851
Total Liabilities	\$ 607,473	\$ 23,834	\$ 22,926	\$ 654,233
Investment in capital assets net of related debt	\$ 32,509	\$ 1,789,851	\$ 466,076	\$ 2,288,435
Unrestricted	\$ 480,932	\$ (35,211)	\$ (80,095)	\$ 365,627
Board Assigned	\$ 50,000	\$ -	\$ 61,389	\$ 111,389
Total Net Assets	\$ 563,444	\$ 1,754,640	\$ 447,370	\$ 2,765,454

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

Current assets, current liabilities, and long-term liabilities for the water and sewer funds are presented differently from the Statement of Net Position – Proprietary Funds. The water fund is presented without the \$8,093 current portion of the \$65,000 inter-fund advance (see Note 5) in current assets. The related current and long-term liability for the sewer fund is netted against assets.

**Results of Operations**

**TABLE 3**  
**CONDENSED STATEMENT RESULTS OF OPERATIONS**  
**JUNE 30, 2019**

	Water	Sewer	Fire	Total
Revenues:				
Charges for services	\$ 474,034	\$ 319,392	\$ -	\$ 793,425
Taxes and assessments	\$ -	\$ -	\$ 103,478	\$ 103,478
Unrestricted investment earnings	\$ 13,428	\$ 39	\$ 2,947	\$ 16,413
In Kind/Grant Revenue	\$ -	\$ -	\$ 9,338	\$ 9,338
Other Income	\$ -	\$ -	\$ 7,794	\$ 7,794
Total Revenues	\$ 487,461	\$ 319,430	\$ 123,556	\$ 930,448
Expenses:				
Water/Sewer services	\$ 455,555	\$ 314,474	\$ -	\$ 770,029
Public Safety	\$ -	\$ -	\$ 63,417	\$ 63,417
Depreciation expenses	\$ 26,639	\$ 94,362	\$ 47,750	\$ 168,751
Total Expenses	\$ 482,194	\$ 408,836	\$ 111,167	\$ 1,002,198
Result of operations	\$ 5,267	\$ (89,406)	\$ 12,389	\$ (71,750)
Total net assets - beginning	\$ 558,177	\$ 1,844,046	\$ 434,981	\$ 2,837,204
Total net assets - ending	\$ 563,444	\$ 1,754,640	\$ 447,370	\$ 2,765,454



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 \$930,448. In-Kind/Grant Revenue was \$9,338, \$7,000 was received from donations to offset expenses for the purchase and placement of a repeater antennae for fire dispatch and \$2,338 was received from a CalFire grant to purchase wildland fire gear and helmets. Operating expenses for water and sewer services was \$770,029. Public safety expenses for the fire department totaled \$63,417. The District had depreciation expenses of \$168,751. The District's total net position decreased \$71,750 as a result of operations and depreciation.

**TABLE 4  
RESULTS OF WATER OPERATIONS  
YEAR OVER YEAR – 2020 ADOPTED BUDGET**

<b>Water</b>	<b>Column One - Year over Year</b>				<b>Column Two - 2020 Budget compared to 2019 Actuals</b>			
	Actuals 2018-2019	Actuals 2017-2018	\$\$ Change	% Change	Budget 2019-20	Actuals 2018-2019	\$\$ Change	% Change
<b>Revenues</b>								
Water Sales	\$ 443,735	\$ 417,709	\$ 26,026	6.2%	\$ 440,674	\$ 443,735	\$ (3,061)	-0.7%
Special benefit zone	\$ 16,944	\$ 12,459	\$ 4,485	36.0%	\$ 21,750	\$ 16,944	\$ 4,806	28.4%
Fee for service	\$ 8,319	\$ 8,293	\$ 27	0.3%	\$ 6,907	\$ 8,319	\$ (1,412)	-17.0%
Installation/Meter Charge	\$ 1,096	\$ 3,057	\$ (1,961)	-64.2%	\$ -	\$ 1,096	\$ (1,096)	-100.0%
Other revenue	\$ 1,839	\$ 297	\$ 1,542	518.4%	\$ -	\$ 1,839	\$ (1,839)	-100.0%
<b>Total Revenue</b>	<b>\$ 471,933</b>	<b>\$ 441,815</b>	<b>\$ 30,119</b>	<b>6.8%</b>	<b>\$ 469,331</b>	<b>\$ 471,933</b>	<b>\$ (2,602)</b>	<b>-0.6%</b>
<b>Expenses</b>								
Purchased water	\$ 172,055	\$ 141,929	\$ 30,126	21.2%	\$ 172,519	\$ 172,055	\$ 464	0.3%
Director Fees	\$ 2,995	\$ 2,995	\$ -	0.0%	\$ 2,995	\$ 2,995	\$ -	0.0%
Contract Labor	\$ 224,396	\$ 187,480	\$ 36,916	19.7%	\$ 211,524	\$ 224,396	\$ (12,872)	-5.7%
Insurance	\$ 2,854	\$ 2,686	\$ 168	6.2%	\$ 3,245	\$ 2,854	\$ 391	13.7%
Professional services	\$ 4,558	\$ 4,879	\$ (321)	-6.6%	\$ 4,570	\$ 4,558	\$ 12	0.3%
Dues & Memberships	\$ 605	\$ 571	\$ 34	5.9%	\$ 650	\$ 605	\$ 45	7.5%
Utilities	\$ 11,722	\$ 12,953	\$ (1,231)	-9.5%	\$ 11,908	\$ 11,722	\$ 186	1.6%
Property Taxes	\$ 225	\$ 225	\$ -	0.0%	\$ 225	\$ 225	\$ -	0.0%
Supplies	\$ 741	\$ 1,468	\$ (727)	-49.5%	\$ 755	\$ 741	\$ 14	1.8%
Maintenance/Line Repairs	\$ 2,000	\$ 6,154	\$ (4,154)	-67.5%	\$ 10,000	\$ 2,000	\$ 8,000	400.0%
Bad Debt/Bank fees	\$ 3,385	\$ 949	\$ 2,436	256.6%	\$ 2,787	\$ 3,385	\$ (598)	-17.7%
Interest Expense	\$ 15,043	\$ 15,808	\$ (766)	-4.8%	\$ 13,723	\$ 15,043	\$ (1,320)	-8.8%
Licenses & Fees	\$ 3,360	\$ 8,504	\$ (5,144)	-60.5%	\$ 3,360	\$ 3,360	\$ -	0.0%
Payroll expense	\$ 11,618	\$ 11,608	\$ 10	0.1%	\$ 11,804	\$ 11,618	\$ 186	1.6%
<b>Total expense</b>	<b>\$ 455,555</b>	<b>\$ 398,209</b>	<b>\$ 57,347</b>	<b>14.4%</b>	<b>\$ 450,065</b>	<b>\$ 455,555</b>	<b>\$ (5,490)</b>	<b>-1.2%</b>
<b>Results of operations</b>	<b>\$ 16,378</b>	<b>\$ 43,606</b>	<b>\$ (27,228)</b>	<b>-62.4%</b>	<b>\$ 19,266</b>	<b>\$ 16,378</b>	<b>\$ 2,888</b>	<b>17.6%</b>
<b>Other Income</b>								
Interest Earnings	\$ 13,428	\$ 13,841	\$ (413)	-3.0%	\$ 15,454	\$ 13,428	\$ 2,026	15.1%
Connection Fees	\$ 2,100	\$ 10,123	\$ (8,023)	0.0%	\$ -	\$ 2,100	\$ (2,100)	0.0%
<b>Total Other Income</b>	<b>\$ 15,528</b>	<b>\$ 23,964</b>	<b>\$ (8,436)</b>	<b>-35.2%</b>	<b>\$ 15,454</b>	<b>\$ 15,528</b>	<b>\$ (74)</b>	<b>-0.5%</b>
<b>Other Expense</b>								
Deprecation	\$ 26,639	\$ 24,979	\$ 1,660	6.6%	\$ 26,639	\$ 26,639	\$ -	0.0%
<b>Total Other Expense</b>	<b>\$ 26,639</b>	<b>\$ 24,979</b>	<b>\$ 1,660</b>	<b>6.6%</b>	<b>\$ 26,639</b>	<b>\$ 26,639</b>	<b>\$ -</b>	<b>0.0%</b>
<b>Net Other Income/Expense</b>	<b>\$ (11,111)</b>	<b>\$ (1,015)</b>	<b>\$ (10,096)</b>	<b>994.7%</b>	<b>\$ (11,185)</b>	<b>\$ (11,111)</b>	<b>\$ (74)</b>	<b>0.7%</b>
<b>Net Income</b>	<b>\$ 5,267</b>	<b>\$ 42,591</b>	<b>\$ (37,324)</b>	<b>87.6%</b>	<b>\$ 8,081</b>	<b>\$ 5,267</b>	<b>\$ 2,814</b>	<b>53.4%</b>

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

**Water Revenues**

In column one, year over year revenues increased \$30,119 (6.8%). The District adopted a rate increase in July 2018 of 5.28% to pass through the wholesale cost increase of purchased water. An additional rate increase of 2.44% was adopted in January 2019 based on the fluctuation in the Consumer Price Index. Special benefit zone revenues increased 36% based on an accounting change. In past years a portion of these revenues were reported in water sales, new billing software purchased in January 2019 allows these revenues to be captured within the special benefit zone.

## Water Expenses

Total Expenses increased \$57,347 (14.4%). The cost of purchased water increased \$30,126 (21.2%). Contract labor increased \$36,916 (19.7%) Contract labor includes engineering services, special studies, and maintenance and operation services provided by the Humboldt Bay Municipal Water District (HBMWD). There was an increase of \$27,575 in engineering expenses related to the preparation and submittal of a Hazard Mitigation grant for the upgrade/replacement of the Anker Lane water tank. Also, the District Engineer updated a hydrology study pending requests for additional water services in the Glendale area. 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 \$9,341. The cost of maintenance and operations is anticipated to increase with inflation. There were minor decreases in utility costs, line maintenance and fees for annexation in fiscal year 2019.

**TABLE 5  
RESULTS OF SEWER OPERATIONS  
YEAR OVER YEAR – 2020 ADOPTED BUDGET**

Sewer	Column One - Year over Year				Column Two - 2020 Budget compared to 2019 Actuals			
	Actuals 2018-19	Actuals 2017-2018	\$\$ Change	% Change	Budget 2019-2020	Actuals 2018-19	\$\$ Change	% Change
<b>Revenues</b>								
Sewer Sales	\$ 257,388	\$ 185,852	\$ 71,537	38.5%	\$ 364,243	\$ 257,388	\$ 106,855	41.5%
Fee for service	\$ 4,867	\$ 5,272	\$ (405)	-7.7%	\$ 5,470	\$ 4,867	\$ 603	12.4%
Other revenue	\$ 41,491	\$ 48,931	\$ (7,440)	100.0%	\$ -	\$ 41,491	\$ (41,491)	-100.0%
<b>Total Revenue</b>	<b>\$ 303,746</b>	<b>\$ 240,054</b>	<b>\$ 63,692</b>	<b>26.5%</b>	<b>\$ 369,713</b>	<b>\$ 303,746</b>	<b>\$ 65,967</b>	<b>21.7%</b>
<b>Expenses</b>								
Sewer Treatment	\$ 205,717	\$ 198,239	\$ 7,478	3.8%	\$ 209,750	\$ 205,717	\$ 4,033	2.0%
Contract Labor	\$ 45,712	\$ 33,670	\$ 12,042	35.8%	\$ 35,300	\$ 45,712	\$ (10,412)	-22.8%
Insurance	\$ 2,377	\$ 2,402	\$ (25)	-1.0%	\$ 2,641	\$ 2,377	\$ 264	11.1%
Professional services	\$ 4,558	\$ 4,879	\$ (321)	-6.6%	\$ 4,575	\$ 4,558	\$ 17	0.4%
Dues & Memberships	\$ 605	\$ 571	\$ 34	5.9%	\$ 605	\$ 605	\$ 0	0.1%
Utilities	\$ 12,141	\$ 10,973	\$ 1,168	10.6%	\$ 12,724	\$ 12,141	\$ 583	4.8%
Fuel	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	\$ -	0.0%
Property Taxes	\$ 324	\$ 324	\$ -	0.0%	\$ 324	\$ 324	\$ -	0.0%
Supplies	\$ 1,015	\$ 934	\$ 81	8.7%	\$ 650	\$ 1,015	\$ (365)	-35.9%
Maintenance/Line Repairs	\$ 8,688	\$ 10,824	\$ (2,136)	-19.7%	\$ 33,200	\$ 8,688	\$ 24,512	282.1%
Bad Debt/Bank fees	\$ 5,282	\$ 192	\$ 5,091	2657.5%	\$ 2,084	\$ 5,282	\$ (3,198)	-60.5%
Interest Expense	\$ -	\$ -	\$ -	0.0%	\$ 3,925	\$ -	\$ 3,925	0.0%
Licenses & Fees	\$ 3,163	\$ 3,067	\$ 96	3.1%	\$ 3,171	\$ 3,163	\$ 8	0.3%
Payroll expense	\$ 24,892	\$ 23,590	\$ 1,302	5.5%	\$ 25,200	\$ 24,892	\$ 308	1.2%
<b>Total expense</b>	<b>\$ 314,474</b>	<b>\$ 289,664</b>	<b>\$ 24,810</b>	<b>8.6%</b>	<b>\$ 334,149</b>	<b>\$ 314,474</b>	<b>\$ 19,675</b>	<b>6.3%</b>
<b>Results of operations</b>	<b>\$ (10,728)</b>	<b>\$ (49,610)</b>	<b>\$ 38,882</b>	<b>-78.4%</b>	<b>\$ 35,564</b>	<b>\$ (10,728)</b>	<b>\$ 46,292</b>	<b>-431.5%</b>
<b>Other Income</b>								
Interest Earnings	\$ 39	\$ 43	\$ (4)	-10.3%	\$ 36	\$ 39	\$ (3)	-6.7%
Connection Fees	\$ 15,646	\$ -	\$ 15,646	0.0%	\$ -	\$ 15,646	\$ (15,646)	0.0%
<b>Total Other Income</b>	<b>\$ 15,684</b>	<b>\$ 43</b>	<b>\$ 15,641</b>	<b>36374.9%</b>	<b>\$ 36</b>	<b>\$ 15,684</b>	<b>\$ (15,648)</b>	<b>-99.8%</b>
<b>Other Expense</b>								
Depreciation	\$ 94,362	\$ 93,819	\$ 543	0.6%	\$ 94,362	\$ 94,362	\$ -	0.0%
<b>Total Other Expense</b>	<b>\$ 94,362</b>	<b>\$ 93,819</b>	<b>\$ 543</b>	<b>0.6%</b>	<b>\$ 94,362</b>	<b>\$ 94,362</b>	<b>\$ -</b>	<b>0.0%</b>
<b>Net Other Income/Expense</b>	<b>\$ (78,678)</b>	<b>\$ (93,776)</b>	<b>\$ 15,098</b>	<b>-16.1%</b>	<b>\$ (94,326)</b>	<b>\$ (78,678)</b>	<b>\$ (15,648)</b>	<b>19.9%</b>
<b>Net Income</b>	<b>\$ (89,406)</b>	<b>\$ (143,386)</b>	<b>\$ 53,980</b>	<b>-37.6%</b>	<b>\$ (58,762)</b>	<b>\$ (89,406)</b>	<b>\$ 30,644</b>	<b>-34.3%</b>

## Restatement for 2018

In March of 2019 the District discovered that a commercial account had been discharging effluent into the collection system. Fortunately, the effluent was metered, and the District was able to invoice the customer \$48,931 for services received in fiscal year 2018. Revenues, accounts receivable, and equity accounts were adjusted.

## Revenues

Sewer revenues experienced an increase of \$63,692 (26.5%). The District adopted a new rate structure in December 2018. The new rate structure has a base fee and a consumption fee based on water use for both domestic and commercial rate payers. Revenue from rate payers increased \$71,537 (38.5%). Other revenue of \$41,491 was received in 2019. This revenue is from the commercial account that required the restatement of revenues in 2018.

## Expenses

Sewer expenses increased \$24,810 (8.6%) from the prior year. Effluent treatment costs increased \$7,478 (3.8%) from the prior year. In 2016 the District conducted an Inflow and Infiltration study. The study identified five areas where storm water was flowing into the collection system. The District authorized a capital expenditure to externally seal these areas. Effluent sent to the City of Arcata decreased 2.0 million gallons in 2018 and an additional 1.3 million gallons in 2019. Despite the decrease in flows the annual cost of treatment increased due to changes in the City of Arcata's rate structure. Contract labor increased \$12,042 (35.8%). This increase was due to the cost of a rate study. Utility, payroll and other supply expenses remained within an acceptable variance from the prior year. Bad debt increased \$5,091 from the prior year.

**TABLE 6  
RESULTS OF FIRE OPERATIONS YEAR OVER YEAR – 2020 ADOPTED BUDGET**

Fire	Column One - Year over Year				Column Two - 2020 Budget compared to 2019 Actuals			
	Actuals 2018-2019	Actuals 2017-2018	\$\$ Change	% Change	Budget 2019-2020	Actuals 2018-2019	\$\$ Change	% Change
<b>Revenues</b>								
Property Taxes	\$ 62,903	\$ 60,644	\$ 2,259	3.7%	\$ 62,902	\$ 62,903	\$ -	0.0%
Special Benefit Assessment	\$ 40,575	\$ 41,813	\$ (1,238)	-3.0%	\$ 40,575	\$ 40,575	\$ -	0.0%
Other Income	\$ 7,794	\$ 3,372	\$ 4,422	131.1%	\$ 100	\$ 7,794	\$ (7,694)	-98.7%
<b>Total Revenue</b>	<b>\$ 111,272</b>	<b>\$ 105,828</b>	<b>\$ 5,444</b>	<b>5.1%</b>	<b>\$ 103,577</b>	<b>\$ 111,272</b>	<b>\$ -</b>	<b>0.0%</b>
<b>Expenses</b>								
Director Fees	\$ 599	\$ 599	\$ -	0.0%	\$ 599	\$ 599	\$ -	0.0%
Benefit Assessment Fee	\$ 110	\$ 113	\$ (3)	-3.0%	\$ 113	\$ 110	\$ 3	3.1%
Insurance	\$ 17,084	\$ 17,014	\$ 69	0.4%	\$ 18,862	\$ 17,084	\$ 1,778	10.4%
Professional services	\$ 4,558	\$ 4,542	\$ 17	0.4%	\$ 4,558	\$ 4,558	\$ (0)	0.0%
Dues & Memberships	\$ 2,673	\$ 3,025	\$ (352)	-11.6%	\$ 2,673	\$ 2,673	\$ 0	0.0%
Utilities	\$ 7,731	\$ 7,476	\$ 255	3.4%	\$ 7,900	\$ 7,731	\$ 169	2.2%
Transportation/travel	\$ 1,344	\$ 1,021	\$ 323	31.6%	\$ 1,360	\$ 1,344	\$ 16	1.2%
Supplies	\$ 3,280	\$ 2,713	\$ 567	20.9%	\$ 2,985	\$ 3,280	\$ (295)	-9.0%
Maintenance expenses	\$ 2,947	\$ 9,744	\$ (6,797)	-69.8%	\$ 6,900	\$ 2,947	\$ 3,953	134.1%
Equipment	\$ 2,739	\$ 3,630	\$ (891)	-24.5%	\$ 2,050	\$ 2,739	\$ (689)	-25.2%
Interest Expense	\$ 10,230	\$ 10,921	\$ (691)	-6.3%	\$ 9,508	\$ 10,230	\$ (722)	-7.1%
Licenses & Fees	\$ 1,000	\$ -	\$ 1,000	0.0%	\$ -	\$ 1,000	\$ (1,000)	0.0%
Chief's incentive program	\$ 2,000	\$ 1,912	\$ 88	4.6%	\$ 2,000	\$ 2,000	\$ -	0.0%
Fire Grant Expenses	\$ 4,676	\$ 1,705	\$ 2,971	0.0%	\$ -	\$ 4,676	\$ (4,676)	0.0%
Payroll Expenses	\$ 2,448	\$ 1,638	\$ 810	49.4%	\$ 1,686	\$ 2,448	\$ (762)	-31.1%
<b>Total expense</b>	<b>\$ 63,417</b>	<b>\$ 66,052</b>	<b>\$ (2,634)</b>	<b>-4.0%</b>	<b>\$ 61,194</b>	<b>\$ 63,417</b>	<b>\$ (2,223)</b>	<b>-3.5%</b>
<b>Results of operations</b>	<b>\$ 47,854</b>	<b>\$ 39,777</b>	<b>\$ 8,078</b>	<b>20.3%</b>	<b>\$ 42,383</b>	<b>\$ 47,854</b>	<b>\$ (5,471)</b>	<b>-11.4%</b>
<b>Other Income</b>								
Interest Earnings	\$ 2,947	\$ 2,382	\$ 564	23.7%	\$ 2,900	\$ 2,947	\$ (47)	-1.6%
Grant/Donation Revenues	\$ 9,338	\$ 6,353	\$ 2,985	32.0%	\$ -	\$ 9,338	\$ (9,338)	-100.0%
<b>Total Other Income</b>	<b>\$ 12,284</b>	<b>\$ 8,735</b>	<b>\$ 3,550</b>	<b>40.6%</b>	<b>\$ 2,900</b>	<b>\$ 12,284</b>	<b>\$ (9,384)</b>	<b>-76.4%</b>
<b>Other Expense</b>								
Depreciation	\$ 47,750	\$ 45,594	\$ 2,156	4.7%	\$ 47,750	\$ 47,750	\$ -	0.0%
<b>Total Other Expense</b>	<b>\$ 47,750</b>	<b>\$ 45,594</b>	<b>\$ 2,156</b>	<b>4.7%</b>	<b>\$ 47,750</b>	<b>\$ 47,750</b>	<b>\$ -</b>	<b>0.0%</b>
<b>Net Other Income/Expense</b>	<b>\$ (35,466)</b>	<b>\$ (36,859)</b>	<b>\$ 1,394</b>	<b>-3.8%</b>	<b>\$ (44,850)</b>	<b>\$ (35,466)</b>	<b>\$ (9,384)</b>	<b>26.5%</b>
<b>Net Income</b>	<b>\$ 12,389</b>	<b>\$ 2,917</b>	<b>\$ 9,472</b>	<b>324.7%</b>	<b>\$ (2,467)</b>	<b>\$ 12,389</b>	<b>\$ (14,856)</b>	<b>-119.9%</b>

**Revenues**

Revenues for the department increased \$5,444 (5.1%). There was an increase in secured property taxes which was offset by reductions of other taxes including the special benefit assessment. Other income increased \$4,422, primarily revenues from Cal-Fire mutual aid responses.

**Expenses**

Expenses for the department decreased \$2,634 (4.0%). Major variances include increased utilities, transportation, supplies, licenses and fire grant expenses. These were offset by decreased expenses for truck maintenance, small equipment purchases and interest expenses.

**Other Income**

There was an improvement in interest earnings and the District received \$12,284 in grants and donations.

**Additional Budgetary Information**

Additional budgetary information for the fire department can be found on page 35 of the Required Supplementary Information section in the audited financial statements. An analysis of significant variations between original and final budget amounts and between final budget amounts and actual budget results for the governmental fund (fire) is required, including reasons for those variations that are expected to have a significant effect on future services or liquidity.

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

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

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

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

The purpose of tables seven, eight and nine is to provide the change in net position from the prior year as a result of operations. The table also includes information for the 2016-2017 year. This information can help identify trends of assets and liabilities over a three-year period.

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

<b>Water Fund</b>	2016-2017	2017-2018	2018-2019	Increase/Decrease from prior year
Current and Other Assets	\$ 617,930	\$ 657,441	\$ 619,407	\$ (38,034)
Capital and Fixed Assets	\$ 541,641	\$ 541,013	\$ 551,509	\$ 10,497
Current and other Liabilities	\$ 96,604	\$ 121,277	\$ 117,622	\$ (3,655)
Long Term Liabilities	\$ 547,381	\$ 519,000	\$ 489,851	\$ (29,149)
Total Net Assets	\$ 515,586	\$ 558,177	\$ 563,444	\$ 5,267
Net Assets - Beginning	\$ 493,034	\$ 515,585	\$ 558,175	\$ 42,590
Operating Revenues	\$ 466,918	\$ 465,779	\$ 487,461	\$ 21,682
Operating Expenses	\$ 421,281	\$ 398,210	\$ 455,555	\$ 57,346
Net Operating Income	\$ 45,637	\$ 67,570	\$ 31,906	\$ (35,663)
Depreciation Expenses	\$ 23,085	\$ 24,979	\$ 26,639	\$ 1,660
Change in Net Assets	\$ 22,552	\$ 42,591	\$ 5,267	\$ (37,323)
Net Assets - Ending	\$ 515,585	\$ 558,175	\$ 563,441	\$ 5,266

The water fund's net assets increased \$5,267 from the prior year. The reduction of long-term debt and an investment in capital projects account for a significant portion of this change. Operating revenues increased from the prior year due to increased rates. Operating expenses increased due to the increased cost of wholesale water and the funding of one-time engineering costs for special studies and a grant project.

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

<b>Sewer Fund</b>	2016-2017	2017-2018	2018-2019	Increase/Decrease from prior year
Current and Other Assets	\$ 49,038	\$ 20,627	\$ 53,624	\$ 32,996
Capital and Fixed Assets	\$ 1,959,784	\$ 1,865,965	\$ 1,789,851	\$ (76,114)
Current and other Liabilities	\$ 21,390	\$ 26,477	\$ 23,834	\$ (2,642)
Long Term Liabilities	\$ -	\$ 65,000	\$ 65,000	\$ -
Total Net Assets	\$ 1,987,432	\$ 1,795,115	\$ 1,754,640	\$ (40,474)
Net Assets - Beginning	\$ 2,168,776	\$ 1,987,432	\$ 1,844,046	\$ (143,386)
Operating Revenues	\$ 193,464	\$ 240,098	\$ 319,430	\$ 79,333
Operating Expenses	\$ 287,428	\$ 289,664	\$ 314,474	\$ 24,810
Net Operating Income	\$ (93,964)	\$ (49,567)	\$ 4,956	\$ 54,523
Depreciation Expenses	\$ 87,380	\$ 93,819	\$ 94,362	\$ 543
Change in Net Assets	\$ (181,344)	\$ (143,386)	\$ (89,406)	\$ 53,980
Net Assets - Ending	\$ 1,987,432	\$ 1,844,046	\$ 1,754,640	\$ (89,406)

The sewer fund's net assets decreased \$89,406 from the prior year. Net operating income was positive at \$4,956. Operational losses in prior fiscal years were significant and required a loan from the water district to remain cash positive in 2018. Increased treatment expenses accounted for most of the losses experienced in these years. Capital improvements were completed in June of 2017 to address identified areas of infiltration and a new in-line flow meter was installed. These investments have reduced the amount of effluent sent to the City of Arcata. A rate study was initiated in April of 2018, and a new rate structure was adopted in December of 2018. Unfunded depreciation has historically been a challenge for the sewer fund, the board is aware that

depreciation will continue to be underfunded and the position of net assets will decrease accordingly.

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

Fire Fund	2016-2017	2017-2018	2018-2019	Increase/Decrease from prior year
Current and Other Assets	\$ 165,929	\$ 180,339	\$ 219,609	\$ 39,270
Capital and Fixed Assets	\$ 513,246	\$ 486,195	\$ 466,076	\$ (20,119)
Current and other Liabilities	\$ 680	\$ 298	\$ 22,926	\$ 22,628
Long Term Liabilities	\$ 246,430	\$ 231,255	\$ 215,389	\$ (15,866)
Total Net Assets	\$ 432,064	\$ 434,981	\$ 447,370	\$ 12,389
Net Assets - Beginning	\$ 414,138	\$ 432,064	\$ 434,981	\$ 2,917
Operating Revenues	\$ 125,645	\$ 114,563	\$ 123,556	\$ 8,993
Operating Expenses	\$ 62,111	\$ 66,052	\$ 63,417	\$ (2,634)
Net Operating Income	\$ 63,534	\$ 48,511	\$ 60,139	\$ 11,627
Depreciation Expenses	\$ 45,609	\$ 45,594	\$ 47,750	\$ 2,156
Change in Net Assets	\$ 17,925	\$ 2,917	\$ 12,389	\$ 9,471
Net Assets - Ending	\$ 432,064	\$ 434,981	\$ 447,370	\$ 12,389

The fire fund's net assets increased \$12,389 from the prior year. There was a small increase in property tax revenue, an increase in revenue from Cal-Fire, improved interest earnings an increase in grants and donations. Operating expenses decreased slightly from the prior fiscal year.

**TABLE 10  
CAPITAL ASSETS PROPERTY & EQUIPMENT**

	FY 2017-2018	FY 2018-2019	Difference
<b>Water</b>			
Land	\$ 6,461	\$ 6,461	\$ 0
Water System Infrastructure	\$ 1,860,863	\$ 1,897,272	\$ 36,410
<b>Sewer</b>			
Land	\$ 20,860	\$ 20,860	\$ 0
Sewer System Infrastructure	\$ 3,984,151	\$ 4,001,893	\$ 17,743
<b>Fire</b>			
Land	\$ 5,106	\$ 5,106	\$ 0
Buildings	\$ 359,674	\$ 367,424	\$ 7,750
Equipment - Trucks, Clothing, Radios, Tools	\$ 735,569	\$ 755,450	\$ 19,881
<b>Total Property &amp; Equipment</b>	<b>\$ 6,972,683</b>	<b>\$ 7,054,466</b>	<b>\$ 81,783</b>
Less Accumulated Depreciation	\$ (4,079,511)	\$ (4,247,030)	\$ (167,519)
<b>Total Property &amp; Equipment (net of depreciation)</b>	<b>\$ 2,893,172</b>	<b>\$ 2,807,436</b>	<b>(\$85,736)</b>

### Capital Assets

The District had \$2.80 million (net of accumulated depreciation) invested in a broad range of utility capital assets as of June 30, 2019. 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 2017-2018	FY 2018-2019	Difference
<b>Water</b>			
L/T Davis Grunsky Loan	\$ 284,699	\$ 268,018	(\$16,681)
L/T Davis Grunsky Deferred Interest	\$ 48,325	\$ 45,097	(\$3,228)
L/T I-Bank	\$ 185,976	\$ 176,736	(\$9,240)
<b>Total L/T Notes - Water</b>	<b>\$ 519,000</b>	<b>\$ 489,851</b>	<b>(\$29,149)</b>
<b>Sewer</b>			
L/T Sewer to Water - Cash Flow	\$ -	\$ 56,907	\$56,907
<b>Total L/T Notes - Sewer</b>	<b>\$ -</b>	<b>\$ 56,907</b>	<b>\$ 56,907</b>
<b>Fire</b>			
L/T Fire to Water - Firehouse Expansion	\$ 133,592	\$ 127,189	(\$6,403)
L/T Fire to Water - Truck	\$ 81,797	\$ 71,612	(\$10,184)
<b>Total L/T Notes - Fire</b>	<b>\$ 215,389</b>	<b>\$ 198,801</b>	<b>(\$16,588)</b>
<b>Total L/T Notes Payable</b>	<b>\$ 734,389</b>	<b>\$ 745,559</b>	<b>\$ 11,170</b>

**Long-Term Debt and Interfund Loans**

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

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

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

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

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

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

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

### **Restatement for 2018**

In March of 2019 the District discovered a commercial wastewater account had been discharging effluent into the collection system for approximately two years. Fortunately, the effluent was metered, and the District was able to invoice the customer \$48,931 for services received in 2018. The District restated wastewater revenues, accounts receivable, and equity accounts for the fiscal year ending June of 2018.

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

In August of 2019 the board adopted a resolution authorizing the general manager to execute on behalf of the District an application to the FEMA Hazard Mitigation Grant Program and Pre-Disaster Mitigation Program for the FGCS Water Tank Seismic Retrofit Project. The project will place a new 400,000-gallon water tank adjacent to the existing redwood water tank located on Anker Lane. The total project is estimated to be \$2.125 million and requires a local match of \$425,000. The District has applied to the North Coast Resource Partnership to meet the local match requirement of \$425,000.

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, 2019**

	Governmental Activities	Business-Type Activities	Totals
<b>Assets</b>			
Current Assets:			
Cash in Checking	\$ -	\$ 31,608	\$ 31,608
Cash in Savings	23,938	231,859	255,797
Cash in LAIF	-	408	408
Cash in County Treasury	127,059	-	127,059
Accounts Receivable - Net	-	78,466	78,466
Grant and Other Receivables	5,338	-	5,338
Interest Receivable	565	300	865
Prepaid Expenses	1,320	-	1,320
Total Current Assets	<u>158,220</u>	<u>342,641</u>	<u>500,861</u>
Capital Assets:			
Land	5,106	6,351	11,457
Rights-of-Way	-	20,970	20,970
Sewage Collection System	-	3,992,915	3,992,915
Building and Equipment	1,122,873	55,384	1,178,257
Water Distribution System	-	1,850,866	1,850,866
Less Accumulated Depreciation	<u>(661,904)</u>	<u>(3,585,126)</u>	<u>(4,247,030)</u>
Capital Assets Net of Accumulated Depreciation	<u>466,075</u>	<u>2,341,360</u>	<u>2,807,435</u>
Other Assets			
Interfund Loans Receivable/(Payable)	(215,389)	215,389	-
Board Designated Cash - Fire Debt Service and Water Rate Stabilization Reserves	<u>61,389</u>	<u>50,000</u>	<u>111,389</u>
Total Other Assets	<u>(154,000)</u>	<u>265,389</u>	<u>111,389</u>
Total Assets	<u>470,295</u>	<u>2,949,390</u>	<u>3,419,685</u>
<b>Liabilities</b>			
Current Liabilities:			
Accounts Payable	22,930	104,672	127,602
Customer Deposits	-	4,736	4,736
Interest Payable	-	2,900	2,900
Current Portion of Notes Payable	-	25,921	25,921
Current Portion of Deferred Interest	-	3,228	3,228
Total Current Liabilities	<u>22,930</u>	<u>141,457</u>	<u>164,387</u>
Non-Current Liabilities:			
Notes Payable, Net of Current Portion	-	444,754	444,754
Deferred Interest Payable, Net of Current Portion	-	45,097	45,097
Total Non-Current Liabilities	<u>-</u>	<u>489,851</u>	<u>489,851</u>
Total Liabilities	<u>22,930</u>	<u>631,308</u>	<u>654,238</u>
<b>Net Position</b>			
Net investment in Capital Assets	466,075	1,822,360	2,288,435
Unrestricted	<u>(18,710)</u>	<u>495,722</u>	<u>477,012</u>
Total Net Position	<u>\$ 447,365</u>	<u>\$ 2,318,082</u>	<u>\$ 2,765,447</u>

See accompanying notes.

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT  
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION  
For the Year Ended June 30, 2019**

	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	\$ 111,172	\$ -	\$ 7,000	\$ (104,172)	\$ -	\$ (104,172)
Total Governmental Activities	111,172	-	7,000	(104,172)	-	(104,172)
Business-Type Activities:						
Water	478,844	468,842	-	-	(10,002)	(10,002)
Sewer	403,556	314,043	-	-	(89,513)	(89,513)
Total Business-Type Activities	882,400	782,885	-	-	(99,515)	(99,515)
Total	\$ 993,572	\$ 782,885	\$ 7,000	\$ (104,172)	\$ (99,515)	\$ (203,687)
Change in Net Position:						
Net (Expense) Revenue				\$ (104,172)	\$ (99,515)	\$ (203,687)
General Revenues:						
Taxes:						
Current Secured Taxes				56,789	-	56,789
Current Unsecured Taxes				3,182	-	3,182
Prior Year Taxes				945	-	945
Timber Yield Tax				225	-	225
Proposition 172 Revenue				915	-	915
Homeowners' Exemptions				711	-	711
Property Tax Assessments				40,711	-	40,711
Miscellaneous Income				10,132	1,907	12,039
Unrestricted Investment Earnings				2,947	13,467	16,414
Total Revenues				116,557	15,374	131,931
Change in Net Position				12,385	(84,141)	(71,756)
Net Position - Beginning of Year (Business-Type Activities Restated, See Note 12)				434,980	2,402,223	2,837,203
Net Position - End of Year				\$ 447,365	\$ 2,318,082	\$ 2,765,447

See accompanying notes.

**FLDDBROOK GLENDALD COMMUNITY SERVICES DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUND**  
**June 30, 2019**

**Assets**

Cash in Savings	\$	23,938
Cash in County Treasury		188,448
Grant Receivable		5,338
Interest Receivable		565
Prepaid Expenses		<u>1,320</u>

Total Assets	\$	<u><u>219,609</u></u>
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**Liabilities and Fund Balance**

Liabilities:

Accounts Payable	\$	22,930
Interfund Loans Payable		<u>215,389</u>
Total Liabilities		238,319

Fund Balance - Unassigned		<u>(18,710)</u>
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Total Liabilities and Fund Balance	\$	<u><u>219,609</u></u>
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Total Fund Balance - Government Fund	\$	(18,710)
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Amounts reported for governmental activities in the Statement of Net Position are different because capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The total capital assets, net of accumulated depreciation, are:

		<u>466,075</u>
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Net Position - Governmental Activities	\$	<u><u>447,365</u></u>
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See accompanying notes.

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND  
For the Year Ended June 30, 2019**

**Revenues**

General Revenues:	
Current Secured Taxes	\$ 56,789
Current Unsecured Taxes	3,182
Prior Year Taxes	945
Timber Yield Tax	225
Proposition 172 Revenue	915
Homeowners' Exemptions	711
Property Tax Assessments	40,711
	<hr/>
Total General Revenues	103,478
Grant Revenue	7,000
Miscellaneous Income	10,132
Unrestricted Investment Earnings	2,947
	<hr/>
Total Revenues	123,557

**Expenditures**

Fire Protection:	
Current	
Chief's Expenses	599
Insurance	17,084
Professional Services	4,559
Dues and Memberships	2,673
Utilities	7,732
Transportation and Travel	1,344
Supplies	3,280
Maintenance	2,948
Equipment and Small Tools	2,739
Benefit Assessment Collection Fee	110
Chief's Incentive Program	2,000
Licenses	1,000
Payroll	2,448
Grant Match Expense	4,676
Capital Outlay	27,631
Interest on Interfund Loan	10,230
	<hr/>
Total Fire Protection Expenditures	91,053
Excess of Expenditures over Revenues	32,504
Fund Balance, Beginning of Year	<hr/> (51,214)
Fund Balance, End of Year	<hr/> <u>\$ (18,710)</u>

Net Change in Fund Balance - Governmental Fund \$ 32,504

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	(47,750)
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Governmental funds report capital outlays as expenditures since they require the use of current financial resources. Capital outlays for the current period were:

	<hr/> 27,631
Change in Net Position - Governmental Activities	<hr/> <u>\$ 12,385</u>

See accompanying notes.

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2019**

	Water Fund	Sewer Fund	Total
<b>Assets</b>			
Current Assets:			
Cash in Checking	\$ 31,608	\$ -	\$ 31,608
Cash in Savings	206,161	25,698	231,859
Cash in LAIF	408	-	408
Accounts Receivable - Net	50,540	27,926	78,466
Interest Receivable	300	-	300
Due from Sewer Fund	8,093	-	8,093
Total Current Assets	<u>297,110</u>	<u>53,624</u>	<u>350,734</u>
Capital Assets:			
Land	6,351	-	6,351
Rights-of-Way	110	20,860	20,970
Sewage Collection System	-	3,992,915	3,992,915
Buildings and Equipment	46,406	8,978	55,384
Water Distribution System	1,850,866	-	1,850,866
Less Accumulated Depreciation	<u>(1,352,224)</u>	<u>(2,232,902)</u>	<u>(3,585,126)</u>
Capital Assets, Net of Accumulated Depreciation	<u>551,509</u>	<u>1,789,851</u>	<u>2,341,360</u>
Other Assets			
Interfund Loans Receivable	215,389	-	215,389
Advances to Sewer Fund	56,907	-	56,907
Board Designated Cash - Water Rate Stabilization Reserve	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total Other Assets	<u>322,296</u>	<u>-</u>	<u>322,296</u>
Total Assets	<u>1,170,915</u>	<u>1,843,475</u>	<u>3,014,390</u>
<b>Liabilities</b>			
Current Liabilities:			
Accounts Payable	82,596	22,076	104,672
Customer Deposits	2,978	1,758	4,736
Interest Payable	2,900	-	2,900
Due to Water Fund	-	8,093	8,093
Current Portion of Notes Payable	25,921	-	25,921
Current Portion of Deferred Interest Payable	<u>3,228</u>	<u>-</u>	<u>3,228</u>
Total Current Liabilities	<u>117,623</u>	<u>31,927</u>	<u>149,550</u>
Non-Current Liabilities:			
Notes Payable, Net of Current Portion	444,754	-	444,754
Advances from Water Fund	-	56,907	56,907
Deferred Interest Payable, Net of Current Portion	<u>45,097</u>	<u>-</u>	<u>45,097</u>
Total Non-Current Liabilities	<u>489,851</u>	<u>56,907</u>	<u>546,758</u>
Total Liabilities	<u>607,474</u>	<u>88,834</u>	<u>696,308</u>
<b>Net Position</b>			
Net Investment in Capital Assets	32,509	1,789,851	1,822,360
Unrestricted	<u>530,932</u>	<u>(35,210)</u>	<u>495,722</u>
Total Net Position	<u>\$ 563,441</u>	<u>\$ 1,754,641</u>	<u>\$ 2,318,082</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, 2019**

	Water Fund	Sewer Fund	Total
Operating Revenues:			
Water Sales and Sewer Charges	\$ 460,679	\$ 298,812	\$ 759,491
Late Fees	6,884	3,732	10,616
Installation and Permit Fees	4,631	16,781	21,412
Adjustments and Bad Debts	(3,352)	(5,282)	(8,634)
Total Operating Revenues	<u>468,842</u>	<u>314,043</u>	<u>782,885</u>
Operating Expenses:			
Purchased Water and Sewer Service	172,055	205,719	377,774
Directors' Fees	2,995	-	2,995
Contract Labor and Administration	224,397	45,712	270,109
Insurance	2,853	2,377	5,230
Professional Services	4,558	4,558	9,116
Dues and Memberships	605	605	1,210
Utilities	11,722	12,141	23,863
Depreciation	26,639	94,362	121,001
Property Taxes	225	324	549
Supplies	741	1,015	1,756
Maintenance	2,000	8,688	10,688
Bank Charges	33	-	33
Miscellaneous	3,360	3,163	6,523
Payroll	11,618	24,892	36,510
Total Operating Expenses	<u>463,801</u>	<u>403,556</u>	<u>867,357</u>
Operating Income (Loss)	5,041	(89,513)	(84,472)
Non-operating Revenues (Expenses):			
Miscellaneous Revenue	1,839	68	1,907
Interest Revenue	13,428	39	13,467
Interest Expense	(15,043)	-	(15,043)
Changes in Net Position	5,265	(89,406)	(84,141)
Net Position - Beginning of Year - as restated (See Note 12)	<u>558,176</u>	<u>1,844,047</u>	<u>2,402,223</u>
Net Position - End of Year	<u>\$ 563,441</u>	<u>\$ 1,754,641</u>	<u>\$ 2,318,082</u>

See accompanying notes.

**FLDDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2019**

	Water Fund	Sewer Fund	Total
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$ 461,033	\$ 354,895	\$ 815,928
Cash Paid for Operating Expenses	(428,820)	(287,468)	(716,288)
Cash Paid to Employees for Services	(12,872)	(24,892)	(37,764)
Net Cash Provided (Used) by Operating Activities	<u>19,341</u>	<u>42,535</u>	<u>61,876</u>
<b>Financing Activities</b>			
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Equipment Purchases	(37,134)	(18,248)	(55,382)
Principal Payments on Notes Payable	(25,153)	-	(25,153)
Interest Payments on Notes Payable	(18,410)	-	(18,410)
Net Cash Provided (Used) in Capital and Related Financing Activities	<u>(80,697)</u>	<u>(18,248)</u>	<u>(98,945)</u>
<b>Cash Flows from Investing Activities:</b>			
Interest Received	13,878	42	13,920
Principal payments on Interfund Loan to Fire Fund	15,866	-	15,866
Net Cash Provided (Used) by Investing Activities	<u>29,744</u>	<u>42</u>	<u>29,786</u>
Increase (Decrease) in Cash and Cash Equivalents	(31,612)	24,329	(7,283)
Cash, Beginning of Year	<u>319,789</u>	<u>1,369</u>	<u>321,158</u>
Cash, End of Year (Note 2)	<u>\$ 288,177</u>	<u>\$ 25,698</u>	<u>\$ 313,875</u>
<b>Operating Income (Loss)</b>			
Operating Income (Loss)	\$ 5,041	\$ (89,513)	\$ (84,472)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows Provided by Operating Activities:</b>			
Depreciation	26,639	94,362	121,001
Miscellaneous Income	1,839	68	1,907
<b>Change in Assets and Liabilities:</b>			
Accounts Receivable	(9,892)	38,329	28,437
Accounts Payable	(3,276)	(3,166)	(6,442)
Accrued Payroll	(1,254)	-	(1,254)
Customer Deposits	244	524	768
Other Non-current Assets	-	1,931	1,931
Net Cash Flows Provided (used) by Operating Activities	<u>\$ 19,341</u>	<u>\$ 42,535</u>	<u>\$ 61,876</u>

See accompanying notes.



**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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

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

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

**Reporting Entity**

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

**Nature of Activities**

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

**Basis of Presentation**

Government-Wide Financial Statements

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

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

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

Fund Financial Statements

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, net position/fund equity, revenues, and expenditures/expenses.

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

The District reports the following major funds:

Governmental Fund

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

Enterprise Funds

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

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

**Measurement Focus/Basis of Accounting**

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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.

**New Accounting Pronouncements**

The GASB has issued Statement No. 88, "*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.*" The objective of this statement is to improve financial reporting by providing users of financial statements with consistent debt reporting. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. The District adopted GASB 88 effective July 1, 2018, with no significant impact to the financial statements.

**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.

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Capital Assets**

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

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

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

The estimated useful lives are as follows:

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

**Fund Balance Classification Policy**

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

**Estimates**

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

**Budgetary Information**

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

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.

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial and risk pool coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this coverage in any of the past three years.

**NOTE 2 – CASH AND INVESTMENT FUNDS**

Cash and investment funds at June 30, 2019, consist of the following:

		<u>General Fund - Fire District</u>		
Commercial Account				\$ 23,938
Pooled Funds Humboldt County – Board Designated				61,389
Pooled Investment Funds Humboldt County				<u>127,059</u>
<b>Total Cash and Investment Funds General Fund</b>				<b><u>\$ 212,386</u></b>
		<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
Commercial Accounts:				
Checking	\$ 31,608	\$ -	\$ 31,608	
Savings	<u>206,161</u>	<u>25,698</u>	<u>231,859</u>	
	<u>237,769</u>	<u>25,698</u>	<u>263,467</u>	
Pooled Investment Funds:				
Local Agency Investment Fund (LAIF)	408	-	408	
Board Designated (LAIF)	<u>50,000</u>	-	<u>50,000</u>	
Total LAIF	<u>50,408</u>	-	<u>50,408</u>	
<b>Total Cash and Investment Funds Enterprise Funds</b>	<b><u>\$ 288,177</u></b>	<b><u>\$ 25,698</u></b>	<b><u>\$ 313,875</u></b>	

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

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2019, \$60,053 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.

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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

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

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

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts Receivable at June 30, 2019, consists of the following:

	<u>Water</u>	<u>Enterprise Funds</u> <u>Sewer</u>	<u>Total</u>
Accounts Receivable per HBMWD			
Utility Billing Aging Report	\$ 49,554	\$ 27,319	\$ 76,873
Customer Deposits per Report	2,978	1,758	4,736
Allowance for Uncollectable Accounts	<u>(1,992)</u>	<u>(1,151)</u>	<u>(3,143)</u>
Accounts Receivable - Net	<u>\$ 50,540</u>	<u>\$ 27,926</u>	<u>\$ 78,466</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, 2019, is as follows:

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

	<u>Balance</u> <u>6/30/18</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/19</u>
Capital Assets Not Depreciated:				
Land	\$ 5,106	\$ -	\$ -	\$ 5,106
Capital Assets Being Depreciated:				
Building	359,673	7,750	-	367,423
Furniture and Equipment	735,569	19,881	-	755,450
Total Capital Assets Being Depreciated	1,095,242	27,631	-	1,122,873
Less: Accumulated Depreciation	(614,154)	(47,750)	-	(661,904)
Capital Assets Being Depreciated, Net	481,088	(20,119)	-	460,969
Investment in Capital Assets	\$ 486,194	\$ (20,119)	\$ -	\$ 466,075

Depreciation expense of \$47,750 was charged to the General Fund - Fire Department for the year ended June 30, 2019.

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, 2019, is as follows:

	<u>Balance</u> <u>6/30/18</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/19</u>
<u>Water Fund</u>				
Capital Assets not Depreciated:				
Land	\$ 6,351	\$ -	\$ -	\$ 6,351
Right-of-Way	110	-	-	110
Total Capital Assets Not Depreciated	6,461	-	-	6,461
Capital Assets Being Depreciated:				
Buildings and Equipment	33,739	12,667	-	46,406
Water Distribution System	1,827,124	24,468	(726)	1,850,866
Less: Accumulated Depreciation	(1,326,311)	(26,639)	726	(1,352,224)
Capital Assets Being Depreciated, Net	534,552	10,496	-	545,048
Net Property, Plant and Equipment	541,013	10,496	-	551,509
Related Debt	(547,381)	-	28,381	(519,000)
Investment in Capital Assets, Net of Related Debt	\$ (6,368)	\$ 10,496	\$ 28,381	\$ 32,509
<u>Sewer Fund</u>				
Capital Assets Not Depreciated:				
Right-of-Way	\$ 20,860	\$ -	\$ -	\$ 20,860
Capital Assets Being Depreciated:				
Buildings and Equipment	506	8,978	(506)	8,978
Sewage Collection System	3,983,645	9,270	-	3,992,915
Less: Accumulated Depreciation	(2,139,046)	(94,362)	506	(2,232,902)
Capital Assets Being Depreciated, Net	1,845,105	(76,114)	-	1,768,991
Investment in Capital Assets	\$ 1,865,965	\$ (76,114)	\$ -	\$ 1,789,851

Depreciation expense of \$26,639 and \$94,362 was charged to Water and Sewer Fund operations, respectively, for the year ended June 30, 2019.

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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

The 2014 renovation of the firehouse and grounds was partially financed with a loan in the amount of \$182,400 from the Water Department. The loan, bearing interest at 4.50% per annum as of June 30, 2019, with annual interest rate reviews, is payable in semi-annual installments with the loan maturing on June 30, 2034.

The 2016 purchase of a water tender truck for the Fire Department was partially financed with a loan in the amount of \$110,000 from the Water Department. The loan, bearing interest at 4.50% per annum as of June 30, 2019, with annual interest rate reviews, is payable in semi-annual installments with the loan maturing on June 30, 2026.

In June of 2018 the Water Fund advanced \$65,000 to the Sewer Fund to cover cash deficits caused by an infiltration of liquids into the sewer system that significantly increased effluent processing costs. In the current year it was discovered that a large commercial customer had hooked up to the sewer system without the District's knowledge, see Note 12. With this finding the District does not anticipate that the Sewer Fund will need additional cash. As such, the District formalized a loan from the Water Fund to the Sewer Fund. The loan, bearing interest at 4.50% per annum as of June 30, 2019, with annual interest rate reviews, is payable semi-annual installments with the loan maturing on June 30, 2026.

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

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

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

The payments of the loans from the water fund to the general (fire) fund are partially funded by a 10-year property assessment. The activity for the year ended June 30, 2019, is as follows:



**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

	<u>Balance 6/30/18</u>	<u>Advance</u>	<u>Payment</u>	<u>Balance 6/30/19</u>
Fire Fund				
Interfund Loans from				
Water Fund	\$ 231,255	\$ -	\$ (15,866)	\$ 215,389
Less: Current Portion	(15,866)	-	(722)	(16,588)
Long-term Liabilities	<u>\$ 215,389</u>	<u>\$ -</u>	<u>\$ (16,588)</u>	<u>\$ 198,801</u>

The activity for the long-term obligations, for the business-type activities for the year ended June 30, 2019, is as follows:

	<u>Balance 6/30/18</u>	<u>Advance</u>	<u>Payment</u>	<u>Balance 6/30/19</u>
Sewer Fund				
Due to Water Fund	\$ -	\$ 65,000	\$ -	\$ 65,000
Water Fund				
I-Bank	194,854	-	(8,878)	185,976
DG Principal	300,974	-	(16,275)	284,699
DG Deferred Interest	<u>51,553</u>	<u>-</u>	<u>(3,228)</u>	<u>48,325</u>
Total	547,381	65,000	(28,381)	584,000
Less: Current Portion	(28,381)	(8,093)	(768)	(37,242)
Long-term Liabilities	<u>\$ 519,000</u>	<u>\$ 56,907</u>	<u>\$ (29,149)</u>	<u>\$ 546,758</u>

The annual debt service requirements to maturity are as follows:

Interfund Loan from Water Fund to Fire Fund - Firehouse Renovation

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 6,403	\$ 5,940
2021	6,695	5,649
2022	6,999	5,345
2023	7,318	5,026
2024	7,651	4,693
2025 to 2029	43,805	17,914
2030 to 2034	<u>54,721</u>	<u>6,997</u>
Total	133,592	51,564
Due within one year	(6,403)	(5,940)
Due after one year	<u>\$ 127,189</u>	<u>\$ 45,624</u>

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

Interfund Loan from Water Fund to Fire Fund - Water Tender

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 10,184	\$ 3,568
2021	10,648	3,104
2022	11,132	2,619
2023	11,639	2,113
2024	12,169	1,583
2025 to 2026	<u>26,025</u>	<u>1,480</u>
Total	81,797	14,467
Due within one year	<u>(10,184)</u>	<u>(3,568)</u>
Due after one year	<u>\$ 71,613</u>	<u>\$ 10,899</u>

California Infrastructure and Economic Development Bank

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 9,240	\$ 6,928
2021	9,616	6,567
2022	10,007	6,193
2023	10,414	5,803
2024	10,838	5,397
2025 to 2029	61,178	20,293
2030 to 2033	<u>74,683</u>	<u>7,360</u>
Total	185,976	58,541
Due within one year	<u>(9,240)</u>	<u>(6,928)</u>
Due after one year	<u>\$ 176,736</u>	<u>\$ 51,613</u>

Davis Grunsky

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Deferred Interest</u>
2020	\$ 16,681	\$ 6,920	\$ 3,228
2021	17,098	6,479	3,228
2022	17,526	6,056	3,228
2023	17,964	5,612	3,228
2024	18,413	5,164	3,228
2024 to 2028	99,205	18,573	16,140
2029 to 2034	<u>97,812</u>	<u>5,606</u>	<u>16,045</u>
Total	284,699	54,410	48,325
Due within one year	<u>(16,681)</u>	<u>(6,920)</u>	<u>(3,228)</u>
Due after one year	<u>\$ 268,018</u>	<u>\$ 47,490</u>	<u>\$ 45,097</u>

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

Interfund Loan from Water Fund to Sewer Fund

Year Ending June 30	Principal	Interest
2020	\$ 8,093	\$ 2,835
2021	8,461	2,467
2022	8,847	2,082
2023	9,249	1,679
2024	9,670	1,258
2025 to 2026	<u>20,680</u>	<u>1,176</u>
Total	65,000	11,497
Due within one year	<u>(8,093)</u>	<u>(2,835)</u>
Due after one year	<u>\$ 56,907</u>	<u>\$ 8,662</u>

**NOTE 6 – RISK MANAGEMENT**

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

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

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

**NOTE 7 – PROPERTY TAXES**

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

Since the passage of California Proposition 13, beginning with fiscal year 1978-79, taxes are based either on a 1% rate applied to the 1975-76 assessed value of the property, or on 1% of

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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

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

On November 5, 2013, the voters approved an assessment of \$75 per parcel for a period of ten years. The tax became effective July 1, 2014 and sunsets in the 2024-2025 fiscal year. Property taxes are used to fund governmental activities which are fire protection and emergency response.

**NOTE 8 – WATER PURCHASE, WASTEWATER TREATMENT AND ENGINEERING CONTRACTS**

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

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

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

In 1992 the District and the City of Arcata executed a Sewer Service Agreement for treatment and discharge of wastewater. The contract limits the amount of effluent collected for treatment to 71,200 average gallons per day. The average is calculated during the dry months of June through September. The District pays user charges based on the costs of providing sewer services in accordance with the City's standard billing for sewer service charges as set by the Arcata Municipal Code. The agreement was reevaluated in the fiscal year ending June 30,

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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 \$1,197.20 to Central Avenue Service Station for truck battery replacements and fire truck maintenance. Central Avenue Service Station is owned by Richard Grissom, a District Board Member.

**NOTE 10 – BOARD DESIGNATED ASSETS - WATER RATE STABILIZATION RESERVE AND FIRE DEBT SERVICE RESERVE**

The District's Board resolved to establish a rate stabilization reserve of \$50,000 in order to comply with the installment sale agreement that was entered into as of May 1, 2009, with the California Infrastructure and Economic Development Bank (I-Bank). The agreement requires the District to fix, charge and collect, or cause to be fixed, charged and collected, in each fiscal year, such rates and charges so that the net revenue will be at least 110% of the sum of annual debt service and debt service on subordinate debt. Increases other than those related to the original ordinance to set rates annually are governed by the California Constitution Article XIII D. The Board resolved to maintain the designated reserve even though revenue enhancements and expenditure reductions has resulted in compliance with the agreement.

The fire department has loans for the firehouse renovation and a fire truck that extend beyond the special benefit tax assessment which expires in fiscal year 2024-2025. The District's Board resolved to annually designate a portion of the fire department's ending fund balance to establish a reserve account for future debt payments in the case the special benefit tax assessment isn't renewed. The current amount that the board has designated for the fire department loans is \$61,389.

**NOTE 11 – RATE STABILIZATION**

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

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

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**NOTE 12 – SEWER FUND PRIOR PERIOD ADJUSTMENT**

The District has been investigating a sewer system effluent infiltration problem for several years that caused a deterioration of sewer fund financial resources. During the year ended June 30, 2019, the District discovered a significant factor impacting the infiltration problem, a commercial customer connection that was not billed. As a result of the identified problem, revenue has been collected for past service, and a prior period adjustment has been recorded as follows:

Unrestricted Net Position of Business-Type Activities per audit	\$ 493,695
Restatement of Net Position	<u>48,931</u>
Unrestricted Net Position of Business-Type Activities as restated	<u>\$ 542,626</u>
Unrestricted Net Position of the Sewer Fund per audit	\$ (70,849)
Restatement of Net Position	<u>48,931</u>
Unrestricted Net Position of Business-Type Activities as restated	<u>\$ (21,918)</u>

**NOTE 13 – COMMITMENTS AND CONTINGENCIES**

In August of 2019 the Board adopted a resolution authorizing the General Manager to execute on behalf of the District an application to the FEMA Hazard Mitigation Grant Program and Pre-Disaster mitigation Program for the FGCS Water Tank Seismic Retrofit Project. The project will place a new 400,000-gallon water tank adjacent to the existing redwood water tank located on Anker Lane. The total project is estimated to be \$2.125 million and requires a local match of \$425,000. The District has applied to the North Coast Resource Partnership to meet the local match requirement of \$425,000.

**NOTE 14 – SUBSEQUENT EVENTS**

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through December 20, 2019, the date the financial statements were available to be issued.

The District is currently negotiating an agreement with a commercial customer regarding hook-up fees for existing sewer services as of June 30, 2019. Depending on the outcome of the agreement, the District may have a receivable for the fees; however, the amount, if any, cannot be determined as of the date of this report.

**REQUIRED SUPPLEMENTARY INFORMATION**

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GOVERNMENTAL FUND  
For the Year Ended June 30, 2019**

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Positive (Negative) Variance
Revenues				
General Revenues	\$ 102,255	\$ 102,391	\$ 103,478	\$ 1,087
Other Revenue	-	7,794	10,132	2,338
Unrestricted Investment Earnings	1,791	1,791	2,947	1,156
Grant/In Kind Revenue/Donations	-	9,500	7,000	(2,500)
Revenues	<u>104,046</u>	<u>121,476</u>	<u>123,557</u>	<u>2,081</u>
Expenditures:				
Chief's Expenses	599	599	599	-
Insurance	17,385	17,084	17,084	-
Interest	10,231	10,230	10,230	-
Professional Services	4,545	4,558	4,559	(1)
Dues and Memberships	2,455	2,673	2,673	-
Utilities	7,446	7,693	7,732	(39)
Transportation and Travel	1,200	1,344	1,344	-
Supplies	2,530	3,280	3,280	-
Maintenance	7,900	2,948	2,948	-
Equipment and Small Tools	2,750	2,739	2,739	-
Capital Purchases	-	-	27,631	(27,631)
Grant Match Expense	-	4,676	4,676	-
Bank Charges	-	-	-	-
Benefit Assessment Fee	113	110	110	-
Chief's Incentive Program	2,000	2,000	2,000	-
Licenses	-	1,000	1,000	-
Payroll	1,620	2,453	2,448	5
Total Expenditures	<u>60,774</u>	<u>63,387</u>	<u>91,053</u>	<u>(27,666)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 43,272</u>	<u>\$ 58,089</u>	<u>32,504</u>	<u>\$ (25,585)</u>
Fund Balance, Beginning of Year			(51,214)	
Fund Balance, End of Year			<u>\$ (18,710)</u>	
Total Fund Balance - Government Fund			\$ (18,710)	
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:			466,075	
Net Position of Governmental Activities			<u>\$ 447,365</u>	
Net Change in Fund Balance - Government Fund			\$ 32,504	
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			(47,750)	
Governmental funds report capital outlays as expenditures since they require the use of current financial resources. Capital outlays for the current period were:			27,631	
Change in Net Position of Governmental Activities			<u>\$ 12,385</u>	

See independent auditors' report.