

**RESORT IMPROVEMENT DISTRICT NO. 1**

**FINANCIAL STATEMENTS**

**June 30, 2016**

# RESORT IMPROVEMENT DISTRICT NO. 1

## FINANCIAL STATEMENTS

June 30, 2016

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# RESORT IMPROVEMENT DISTRICT NO. 1

## FINANCIAL STATEMENTS

June 30, 2016

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**RESORT IMPROVEMENT DISTRICT**

**PRINCIPAL OFFICIALS**

**JUNE 30, 2016**

**BOARD OF DIRECTORS**

<u>Name</u>	<u>Office</u>
Susan Fox	President
David Sommer	Vice-President
Michael Caldwell	Member
Nanette Corley	Member
Jac Hargrave	Member

**GENERAL MANAGER**

**Philip W. Young**



# ANDERSON, LUCAS, SOMERVILLE & BORGES, LLP

CERTIFIED PUBLIC ACCOUNTANTS

ART STEWART (1945-1964)  
RICHARD RODRIGUE (1950-1985)  
DAVID J. SOMERVILLE (1971-1982)  
DONALD J. HARRIS (1962-1994)  
EUGENE B. LUCAS (1950-2013)

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DAVID A. SOMERVILLE, II  
KEITH D. BORGES  
BARBARA J. GUEST

RITA CHISM  
VANESSA ANDERSON, E.A.

JAMES M. ANDERSON, *Inactive*

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Resort Improvement District No. 1  
Shelter Cove, California

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Resort Improvement District No.1, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

### Auditors' 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 minimum audit requirements for California Special Districts issued by the State Controller's Office. 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 auditors' 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 District'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 District'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, the business-type activities, each major fund, and the aggregate remaining fund information of the Resort Improvement District No. 1, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

Provisions of the following Governmental Accounting Standards Board Statement, which became effective for fiscal years beginning after June 30, 2014, affect the financial reporting of pensions:

*Statement No. 68 – Accounting and Financial Reporting for Pensions*

The emphasis of these matters does not constitute a modification to our opinions.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Management has omitted the Schedule of Contributions and Schedule of Proportionate Share of CalPERS which is required supplementary information.

Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, if provided, and budgetary comparison schedules on page 31 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 inquires 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.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Resort Improvement District No. 1's financial statements as a whole. The introductory section, and combining and individual financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

January 26, 2017  
Fortuna, California

*Anderson, Lucas, Somerville, & Borges*

## **BASIC FINANCIAL STATEMENTS**



**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**RESORT IMPROVEMENT DISTRICT NO. 1**  
**Statement of Net Position**  
**June 30, 2016**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 40,812	\$ 3,578,510	\$ 3,619,322
Grants Receivable	-	-	-
Accounts Receivable, Net of Allowance For Doubtful Accounts of \$2,198	(9,496)	194,180	184,684
Inventory of Materials and Supplies	-	172,842	172,842
Fixed Assets			
Land	145,971	120,973	266,944
Utility Systems and Golf Course	-	23,023,739	23,023,739
General Plant and Equipment	3,485,792	-	3,485,792
Construction in Progress	84,897		
Accumulated Depreciation	<u>(1,294,573)</u>	<u>(12,837,438)</u>	<u>(14,132,011)</u>
Total Assets	<u>2,453,403</u>	<u>14,252,806</u>	<u>16,706,209</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
	<u>148,455</u>	<u>-</u>	<u>148,455</u>
Total Assets and Deferred Outflows of Resources	<u><b>\$ 2,601,858</b></u>	<u><b>\$ 14,252,806</b></u>	<u><b>\$ 16,854,664</b></u>
<b>LIABILITIES</b>			
Accounts Payable	50,321	119,788	170,109
Customer Deposits	-	26,184	26,184
Payroll and Accrued Liabilities	26,484	64,976	91,460
Net Pension Liability	<u>266,947</u>	<u>400,420</u>	<u>667,367</u>
Total Liabilities	<u>343,752</u>	<u>611,368</u>	<u>955,120</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
	<u>158,180</u>	<u>-</u>	<u>158,180</u>
Total Liabilities and Deferred Inflows of Resources	<u><b>\$ 501,932</b></u>	<u><b>\$ 611,368</b></u>	<u><b>\$ 1,113,300</b></u>
<b>NET POSITION</b>			
Invested in Capital Assets, Net of Related Debt	2,422,087	-	2,422,087
Designated - Pension	-	10,307,274	10,307,274
Unrestricted	(322,161)	(544,803)	(866,964)
	<u>-</u>	<u>3,878,967</u>	<u>3,878,967</u>
Total Net Position	<u><b>\$ 2,099,926</b></u>	<u><b>\$ 13,641,438</b></u>	<u><b>\$ 15,741,364</b></u>

The accompanying notes are an integral part of these financial statements.

**RESORT IMPROVEMENT DISTRICT NO. 1**  
**Statement of Activities and Changes in Net Position**  
**For the Year Ended June 30, 2016**

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Payments in Lieu of Services	Other Program Revenues	Total	Governmental Activities	Business-Type Activities	Total
<b>Primary Government</b>									
Governmental Activities									
General Government	\$ -	\$ 35,928			\$ -	\$ 35,928	\$ 35,928	\$ -	\$ 35,928
Public Safety - Fire	186,385	26,148	6,175		-	32,323	(154,062)	-	(154,062)
Airport	55,546		10,000		-	10,000	(45,546)	-	(45,546)
Community Development	120,700	16,593			-	16,593	(104,107)	-	(104,107)
Total Governmental Activities	362,631	78,669	16,175			94,844	(267,787)		(267,787)
<b>Business-type Activities</b>									
Water	502,786	215,733				215,733		(287,053)	(287,053)
Sewer	560,267	207,202				207,202		(353,065)	(353,065)
Electric	1,632,935	1,585,706				1,585,706		(47,229)	(47,229)
Total Business-type Activities	2,695,988	2,008,641				2,008,641		(687,347)	(687,347)
<b>Total Primary Government</b>	<b>\$ 3,058,619</b>	<b>\$ 2,087,310</b>	<b>\$ 16,175</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,103,485</b>	<b>(267,787)</b>	<b>(687,347)</b>	<b>(955,134)</b>
<b>General Revenues</b>									
Taxes									
Property Taxes							364,518	287,407	651,925
Special Assessments							116,123	216,271	332,394
Capital Grants								123,436	123,436
Grants and Contributions not Restricted to Specific Programs									
Investment Earnings							21,332	164	21,496
Miscellaneous							4,093	208,963	213,056
Transfers							(233,919)	233,919	
Total General Revenues, Special Items and Transfers							272,147	1,070,160	1,342,307
Change in Net Position							4,360	382,813	387,173
Net Position - Beginning of Year							2,125,811	13,647,848	15,773,659
Prior Period Adjustment - Sewer Assessment Receivable								(320,706)	(320,706)
Prior Period Adjustment - GASB 68 Net Pension Liability							(30,245)	(68,517)	(98,762)
Net Position - End of Year							<b>\$ 2,099,926</b>	<b>\$ 13,641,438</b>	<b>\$ 15,741,364</b>

The accompanying notes are an integral part of these financial statements.

**FUND FINANCIAL STATEMENTS**

**RESORT IMPROVEMENT DISTRICT NO. 1**  
**Balance Sheet - Governmental Funds**  
**June 30, 2016**

**ASSETS**

Cash and Cash Equivalents	\$	40,812
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$0		(9,496)
Grant Receivable		-
Fixed Assets		<u>3,716,660</u>
 Total Assets		 <u>3,747,976</u>

**DEFERRED OUTLOWS OF RESOURCES**

		148,455
 Total Assets and Deferred Outflows of Resources		 <u><u>\$ 3,896,431</u></u>

**LIABILITIES**

Accounts Payable		50,321
Payroll and Accrued Liabilities		26,484
Net Pension Liability		<u>266,947</u>
 Total Liabilities		 <u>343,752</u>

**DEFERRED INFLOWS OF RESOURCES**

		<u>158,180</u>
 Total Liabilities and Deferred Inflows of Resources		 <u>501,932</u>

**FUND BALANCE**

Invested in Capital Assets, Net of Related Debt		3,716,660
Designated - Pension		(322,161)
Fund Balance - Unassigned		<u>-</u>
 Total Fund Balance		 <u>3,394,499</u>

<hr/>		<u><u>\$ 3,896,431</u></u>
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The accompanying notes are an integral part of these financial statements.

**RESORT IMPROVEMENT DISTRICT NO. 1**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**June 30, 2016**

**TOTAL FUND BALANCES - Governmental Funds** \$ 3,394,499

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

Accumulated depreciation on general fixed assets (1,294,573)

**Net Position of Governmental Activities** \$ 2,099,926

The accompanying notes are an integral part of these financial statements.

**RESORT IMPROVEMENT DISTRICT NO. 1**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Governmental Funds**  
**For the Year Ended June 30, 2016**

**REVENUES**

Property Taxes	\$ 364,518
Harbor District Revenue	868
Special Assessments	116,123
Interest Income	21,332
Rent	35,928
Grants	16,175
Other	<u>45,966</u>
 Total Revenues	 <u>600,910</u>

**EXPENDITURES**

General and Administrative	-
Fire Protection: Human Resources	49,047
Fire Protection: Other Expenditures	60,303
Community Center: Human Resources	59,033
Community Center: Other Expenditures	29,276
Capital Outlay	<u>169,332</u>
 Total Expenditures	 <u>366,991</u>

**Excess of Revenues Over Expenditures** 233,919

**Allocated to Proprietary Funds** (233,919)

**Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses** -

**FUND BALANCES - Beginning of Year** (291,916)

**PRIOR PERIOD ADJUSTMENT - GASB 68 Net Pension Liability** (30,245)

**FUND BALANCES - End of Year** \$ (322,161)

The accompanying notes are an integral part of these financial statements.

**RESORT IMPROVEMENT DISTRICT NO. 1**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2016**

**NET CHANGE IN FUND BALANCES - Total Governmental Funds** **\$ -**

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

Purchases of Fixed Assets 169,332

Depreciation expense has not been included in the Governmental  
Fund Financial Statements. (164,972)

**Change in Net Position of Governmental Activities** **\$ 4,360**

The accompanying notes are an integral part of these financial statements.



**PROPRIETARY FUNDS**

**RESORT IMPROVEMENT DISTRICT NO. 1**  
**Statement of Net Position - Proprietary Funds**  
**June 30, 2016**

**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$	3,578,510
Accounts Receivable, Net of Allowance For Doubtful Accounts of \$2,198		194,180
Inventory of Materials and Supplies		172,842
Total Current Assets		3,945,532

**Noncurrent Assets**

Fixed Assets		23,023,739
Accumulated Depreciation		(12,837,438)
Land		120,973
Total Noncurrent Assets		10,307,274

Total Assets		14,252,806
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**LIABILITIES**

**Current Liabilities**

Accounts Payable		119,788
Customer Deposits		26,184
Payroll and Accrued Liabilities		64,976
Due To Other Funds		-
Total Current Liabilities		210,948

**Non Current Liabilities**

Net Pension Liability		400,420
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Total Liabilities		611,368
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**NET POSITION**

Invested in Capital Assets		
Net of Related Debt		10,307,274
Designated - Pension		(544,803)
Unrestricted		3,878,967
Total Net Position	\$	13,641,438

The accompanying notes are an integral part of these financial statements.

**RESORT IMPROVEMENT DISTRICT NO. 1**  
**Statement of Revenues, Expenses, and**  
**Changes in Fund Net Position - Proprietary Funds**  
**For the Year Ended June 30, 2016**

**OPERATING REVENUES**

Utility Service Charges	\$	2,008,641
Capital Facility Charges		99,000
Special Assessments		216,271
Connection, Extension and Other Fees		99,770
Other		10,193
		10,193
Total Operating Revenue		2,433,875

**OPERATING EXPENSES**

Human Resources		878,740
Materials, Supplies and Services		428,177
Power		515,670
Insurance		31,952
Depreciation		745,285
Allocated Administrative Costs		96,164
		96,164
Total Operating Expenses		2,695,988
Operating Income (Loss)		(262,113)

**NON-OPERATING REVENUES (EXPENSES)**

Interest		164
Property Taxes		287,407
Interest Expense		-
Grant Revenue		123,436
Transfers In		233,919
Transfers Out		-
		-
Total Non-Operating Revenues (Expenses)		644,926
Net Income		382,813

<b>TOTAL NET POSITION - Beginning of Year</b>		13,647,848
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**PRIOR PERIOD ADJUSTMENT**

GASB 68 Net Pension Liability		(320,706)
Sewer Assessment Receivable Adjustment		(68,517)
		(68,517)

<b>TOTAL NET POSITION - End of Year</b>		<b>\$ 13,641,438</b>
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The accompanying notes are an integral part of these financial statements.

**RESORT IMPROVEMENT DISTRICT NO. 1**  
**Statement of Cash Flows - Proprietary Funds**  
**For the Year Ended June 30, 2016**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Customers and Users	\$ 2,476,529
Payments to Suppliers	(1,106,856)
Payments to Employees	<u>(937,170)</u>
Net Cash Provided (Used) by Operating Activities	<u>432,503</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Other Non-Operating Revenues	287,407
Operating Transfers In	233,919
Operating Transfers Out	<u>-</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>521,326</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of Fixed Assets	(457,462)
Capital Grants	123,436
Grant receivable	42,872
Payment of Long Term Debt	<u>(237,506)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(528,660)</u>
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>	
Interest Received	<u>164</u>
Net Cash Provided by Investing Activities	<u>164</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	425,333
<b>CASH AND CASH EQUIVALENTS - Beginning of Year</b>	<u>3,153,177</u>
<b>CASH AND CASH EQUIVALENTS - End of Year</b>	<u><u>\$ 3,578,510</u></u>

The accompanying notes are an integral part of these financial statements.

**RESORT IMPROVEMENT DISTRICT NO. 1**  
**Statement of Cash Flows - Proprietary Funds**  
**For the Year Ended June 30, 2016**

**RECONCILIATION OF OPERATING INCOME (LOSS)**  
**TO NET CASH PROVIDED (USED) BY**  
**OPERATING ACTIVITIES**

Operating Income (Loss)	\$ (262,113)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Prior Period Adjustment for Pension	(68,516)
Depreciation	745,285
Changes in Assets and Liabilities:	
Receivables	24,935
Materials	17,719
Accounts Payable	40,973
Deposits	(2,631)
Accrued Liabilities	<u>(63,149)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 432,503</u></u>

The accompanying notes are an integral part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

**RESORT IMPROVEMENT DISTRICT NO. 1**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

The Resort Improvement District No. 1 (District) was formed April 29, 1965 under the provisions of the Public Resources Code of the State of California. The District is governed by an elected board of directors and provides fire, recreation and utility services to the unincorporated area in Humboldt County generally known as Shelter Cove.

The financial statements of the Resort Improvement District No. 1 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**Reporting Entity**

There are no significant activities or Districts on which the District exercises oversight responsibility which require inclusion in the financial statements for the year ended June 30, 2016. The following criteria regarding manifestation of oversight were considered by the District in its evaluation of Districts and activities to include or exclude:

Financial Interdependency - The District is responsible for its debts and is entitled to surpluses. No separate agency receives a financial benefit, nor imposes a financial burden on the District.

Election of Governing District - The locally elected governing board is exclusively responsible for all public decisions and is accountable for the decisions it makes.

Designation of Management - The governing board appoints District management. All activities under the purview of management are within the scope of the reporting entity and management is accountable to the governing board for the activities being managed.

Significant Influence on Operations - The governing board has the legal authority to significantly influence operations. This authority includes, but is not limited to, adoption of the budget, control over all assets, including facilities and properties, short-term borrowing, long term borrowing as limited by state law, signing contracts, and developing the programs to be provided.

Accountability of Fiscal Matters - The responsibility and accountability over all funds is vested in the District management.

**RESORT IMPROVEMENT DISTRICT NO. 1**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**  
**Basic Financial Statements – Government-wide Statements**

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The District's fire department, parks and recreation, airport and general administrative services are classified as governmental activities. The District's water, sewer services, and electric activities are classified as business-type activities.

In the Government-wide Statement of Net Position, both the governmental and business type activities columns are presented on a consolidated basis and are reported on a full accrual, economic resource basis. The District's net position is reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. At the end of each fiscal year, all current year activities of the general government fund is allocated and transferred to the business type activities. The District does not keep a separate general fund bank account.

**Fund Accounting**

The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate "fund types."

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long term debt (debt service funds). The general fund is used to account for all activities not accounted for in some other fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the District (internal service funds). The District maintains enterprise funds for its electric utility, water utility, sewer utility and golf recreation activities.



## RESORT IMPROVEMENT DISTRICT NO. 1

### Notes to the Financial Statements

June 30, 2016

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### **Fund Accounting (Continued)**

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. When these assets are held under the terms of a formal trust agreement, either a pension trust fund, a nonexpendable trust fund or an expendable trust fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the government is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the District holds on behalf of others as their agent.

##### **Fund Balances, Reserves and Designations**

In the Fund financial statements, fund balances represent the net current assets of each fund. The District's fund balances are classified based on spending constraints imposed on use of resources. For programs with multiple funding sources, the District prioritizes and expends funds in this order: Restricted, Committed, Assigned, and Unassigned. These are defined as follows:

*Nonspendable* represents balances set aside to indicate items that do not represent available or spendable resources, even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash such as prepaids, are included.

*Restricted* fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or legislation which require the resources be used only for specific purposes.

*Committed* fund balances have constraints imposed by formal action of the District Board, such as an Ordinance, which may be altered only by the same formal action of the District Board.

*Assigned* fund balances are amounts constrained by the District Boards intent to be used for a specific purpose, but are neither restricted nor committed.

*Unassigned* fund balances represent residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance.

**RESORT IMPROVEMENT DISTRICT NO. 1**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**New Accounting Pronouncements**

In June 2012, GASB issued Statement 68, *Accounting and Financial Reporting for Pensions* and Statement 67, *Financial Reporting for Pension Plans*. In December 2015, GASB issued Statement 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. Under these new regulations employers are required to record the net pension liability, pension expense, and deferred outflows/deferred inflows of resources related to pensions in their financial statements as part of their financial position.

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which changed the structure of a government balance sheet.

Deferred Outflow – represents the consumption of a government’s net assets that is applicable to a future period.

Deferred Inflow – represents the acquisition of net assets that is applicable to a future reporting period.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which amends the classification of certain items to be included as deferred inflows and outflows.

**Basis of Accounting**

The accounting and financial reporting applied to a fund is determined by its measurement focus. All governmental funds and expendable trusts funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included in the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

**RESORT IMPROVEMENT DISTRICT NO. 1**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Accounting (Continued)**

The modified accrual basis of accounting is used by governmental fund types, expendable trust funds, and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The District considers property taxes within governmental funds as available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

The accrual basis of accounting is utilized by proprietary fund types, pension trust funds and nonexpendable trust funds. Under this method revenues are record when earned and expenses are recorded at the time liabilities are incurred. Water and sewer services charges are recognized as monthly utility bills are prepared.

**Budgets**

A budget is adopted for the general fund on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year-end. The board has given the District Manager authority to make subsequent budget adjustments. It is this final adjusted budget which is reported in these financial statements.

**Cash and Cash Equivalents**

Cash includes amounts in demand deposits, as well as short-term investments with a maturity date within three months of the date acquired by the District.

**Short-term Interfund Receivables/Payables**

During the course of operations, transactions occur between individual funds for goods or services rendered. These receivables and payables are classified as "Due from Other Funds" or "Due to Other Funds" on the balance sheet. Short-term interfund loans are reported as "Cash Advances to/from Other Funds."

**Supplies Inventory**

Materials and supplies inventory is priced at cost using the first-in, first-out method.

**RESORT IMPROVEMENT DISTRICT NO. 1**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**GAAP Election**

Proprietary funds have selected consistently not to follow Financial Accounting Standards Board pronouncements issued subsequent to November 30, 1989 as permitted under Government Accounting Standards Board Statement No. 20.

**Compensated Absences**

The District allows employees to accumulate vacation time limited to one year, which is paid in cash upon termination. Sick leave may be accumulated without limit. Unused sick leave is credited to PERS upon retirement. The liability for compensated absences is accrued during the fiscal period in which it is earned.

**Fixed Assets**

All fixed assets are valued at historical cost. Donated assets are valued at their estimated fair market value on the date received. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. Depreciation is taken on these assets using the straight-line method over their useful lives, ranging from 10 to 40 years.

Building and equipment of the enterprise funds are depreciated using the straight-line method over useful lives ranging over 20 to 100 years for buildings and improvements, 15 to 50 years for pipe, poles and appurtenances and 3 to 15 years for equipment.

**Property Taxes and Assessments**

Secured property taxes are levied March 1 on all secured real property and are due and payable November 1 and February 1 of the following fiscal year. Unsecured property taxes are payable in one installment on or before August 31. The County of Humboldt is responsible for assessing, collecting and distributing property taxes and assessments in accordance with California statutory law.

A tax rate of \$1.00 per \$100.00 of assessed valuation is levied on all property within the County. The District's share of the taxes collected is determined by state law. The County distributes to the District its full share of the taxes whether actually collected or not. All delinquent taxes along with interest and penalties belong to the County.

Assessments are levied against property located within the District and consist of water standby fees assessed at \$8.00 per parcel for each uninhabited parcel for which service could be made available. A special utility tax is \$80.00 per parcel for every parcel within the District.

**RESORT IMPROVEMENT DISTRICT NO. 1**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Long-term Obligations**

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable, available financial resources is reported as a fund liability of a governmental fund. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

**Fund Equity**

Contributed capital is recorded in proprietary funds that have received capital contributions from developers, customers, and other sources. Reserves represent those portions of fund equity not available for appropriation for expenditure or legally segregated for a specific future use.

**Debt Discounts/Issuance Costs**

In governmental fund types, debt discounts and issuance costs are recognized in the current period. Debt discounts and issuance costs for proprietary fund types are deferred and amortized over the term of the debt using the bonds-outstanding method, which approximates the effective interest method. Debt discounts are presented as a reduction of the face amount of debt payable, whereas issuance costs are recorded as deferred charges and are presented in the financial statements under "Other Assets".

**Interfund Transactions**

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

**RESORT IMPROVEMENT DISTRICT NO. 1**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 2 - STATE LOANS**

**State Revolving Fund**

On January 27, 1999, the District signed a loan contract with the State Water Resources Control Board. Under the contract, the State loaned the District \$1,316,665 from the State Revolving Fund (SRF). The State Revolving Fund was created by a grant from the United States Environmental Protection Agency under the Capitalization Grants for State Revolving Funds program.

The loan bears interest at 2.2 percent per annum. The repayment schedule calls for annual payments of \$82,677, commencing September 1, 2000 with the final payment due September 1, 2019. The loan was paid off in July 2015.

The contract provides that all future debt incurred by the District shall be on parity with, or subordinate to, the SRF loan. The contract also provides that the District shall maintain a dedicated source of revenue sufficient to provide reasonable assurance of repayment. The revenue source contemplated, and so dedicated, is the repayment by the Assessment District of interest and principal of the Series A bonds.

The proceeds of the loan are to benefit the Shelter Cove sewer system improvement project. The loan proceeds were used to acquire the Assessment District Series A bonds. Those funds were then paid over to the District by the Assessment District and utilized to fund the project.

**NOTE 3 - PROPERTY TAX REVENUES**

During the 1996/97 fiscal year, the County apportioned the District its share of the general tax rate under the "Teeter Plan". Under this plan, the full amount of the levy is paid to the District, whether collected or not. All interest and penalties for late payment of taxes are retained by the County.

**RESORT IMPROVEMENT DISTRICT NO. 1**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 4 - FIXED ASSETS**

The following is a summary of the changes in the general fund fixed assets during the fiscal year.

	<u>June 30, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2016</u>
Land and Land Rights	\$ 140,097	\$ 5,874	\$ -	\$145,971
Buildings & Improvements	600,525	32,037	-	632,562
Airport Improvements	1,054,493	-	-	1,054,493
Airport Equipment	18,629	-	-	18,629
Fire Equipment	1,326,825	33,259	-	1,360,084
Office Equipment	41,337	24	-	41,361
Parks	287,296	-	-	287,296
Road Repairs	75,432	-	-	75,432
Intangibles	2,694	-	-	2,694
Drought Study	-	13,241	-	13,241
Construction in Progress	-	84,897	-	84,897
	<u>\$ 3,547,328</u>	<u>\$169,332</u>	<u>\$ -</u>	<u>\$3,716,660</u>

The following is a summary of proprietary fund type (enterprise funds) fixed assets:

Electrical System	7,149,581
Land	120,973
Allowance for Depreciation	<u>(4,468,528)</u>
	<u>2,802,026</u>
Water System	7,425,560
Allowance for Depreciation	<u>(3,361,124)</u>
	<u>4,064,436</u>
Sewer System	8,448,598
Allowance for Depreciation	<u>(5,007,786)</u>
	<u>3,440,812</u>
Total	<u><u>10,307,274</u></u>

**RESORT IMPROVEMENT DISTRICT NO. 1**

**Notes to the Financial Statements**

**June 30, 2016**

**NOTE 5 - CASH AND CASH EQUIVALENTS**

The District's temporary investments are all deposits in federally insured banks or in investment pools maintained by the Humboldt County Treasurer and the State of California. The carrying amount is the account balance which includes interest. At times such investments may be in excess of the Federal Deposit Insurance corporation (FDIC) insurance limits of \$250,000.

The following summarizes cash and cash equivalents at June 30, 2016:

Governmental Funds:

Insured by FDIC	\$ 40,812
Imprest Cash	-
	<u>\$ 40,812</u>

Proprietary Funds:

Pooled with County	\$2,633,142
Pooled with State	369,652
Insured by FDIC	573,124
Imprest Cash	2,592
	<u>\$3,578,510</u>

Total	<u>\$3,619,322</u>
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**NOTE 6 - 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.



**RESORT IMPROVEMENT DISTRICT NO. 1**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 7 - RETIREMENT PLAN**

**Plan Description:** The District's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees' Retirement Law. The District selects optional benefits provisions from the benefit menu by contract with CalPERS and adopts those benefits through Board action. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

**Funding Policy:** Active plan members who were employed prior to June 30, 2013, are required to contribute 7% of their annual covered salary. Other active members are required to contribute 6.25%. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution is an actuarially determined rate which will vary depending on the updated actuarial report. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS. The District's contributions to CalPERS for the fiscal years ended June 30, 2016 and 2015 were \$44,589 and \$64,178, respectively, and equal the total required contributions for each year. Beginning in FY 2015-2016 CalPERS will collect additional employer contributions toward the unfunded liability. As of June 30, 2016 and 2015, Resort Improvement District No 1 reported net pension liability in the amount of \$667,367 and \$768,202, respectively. The net pension liability for the Plan is measured as the proportionate share of the net pension liability. The total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 and June 30, 2015 measurement dates, using standard update procedures.

**RESORT IMPROVEMENT DISTRICT NO. 1**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 7 - RETIREMENT PLAN (Continued)**

Hire Date	Prior to Jan 1, 2011	Jan 1, 2011 through Dec 31,	On or after Jan 1, 2013
Benefit Formula	2% at 55	2% at 60	2% at 62
Benefit Vesting Schedule	5 years service	5 years service	5 years service
Benefit Payments	Monthly for life	Monthly for life	Monthly for life
Retirement Age	50-63	50-63	52-67
Monthly benefits as a % of eligible compensation	1.10% to 2.5%	1.092% to 2.418%	1.0% to 2.5%

**Deferred Outflows of Resources and Deferred Inflows of Resources -**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 44,589	\$ -
Differences between the employer's contributions and the employer's proportionate share of contributions	4,113	-
Change in employer's proportion	-	38,917
Net difference between projected and actual earnings on plan investments	99,753	119,263
Total	\$ 148,455	\$ 158,180

\$44,589 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense over 3.8 to 5 years.

**Actuarial Assumptions** – For the measurement period ended June 30, 2015 (the measurement date), the total pension liability for the Plan was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2014 and June 30, 2015 total pension liabilities for the Plan were based on the following actuarial assumptions:

**RESORT IMPROVEMENT DISTRICT NO. 1**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 7 - RETIREMENT PLAN (Continued)**

Actuarial Cost Method	Entry-age normal cost method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return	7.5% (a)
Mortality	Derived using CalPERS's membership data for all funds

(a) - Net of pension plan investment expense, including inflation

**Changes of Assumptions** – The discount rate was changed from 7.5 % (net of administrative costs) in 2015 to 7.65% to correct for an adjustment to exclude administrative costs in 2016.

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** – The following presents the District’s proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what HTA’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Discount Rate less 1%	Current Discount	Discount Rate plus 1%
	<u>6.65%</u>	<u>7.65%</u>	<u>8.65%</u>
Net pension liability	\$1,119,221	\$667,367	\$294,309

**Long-term expected rate of return –**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

**RESORT IMPROVEMENT DISTRICT NO. 1**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 7 - RETIREMENT PLAN (Continued)**

In determining the long-term expected rate of return, CalPERS staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10 (a)</u>	<u>Real Return Years 11+ (b)</u>
Global Equity	47%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	12%	6.83%	6.95%
Real Estate	11%	4.50%	5.13%
Infrastructure and Forestland	3%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
	<u>100%</u>		

(a) - An expected inflation of 2.5% used for this period

(b) - An expected inflation of 3.0% used for this period

**Pension Plan Fiduciary Net Position** – Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports available on CalPERS' website under Forms and Publications.

At June 30, 2016, the District reported no amount payable for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

**RESORT IMPROVEMENT DISTRICT NO. 1**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 8 - BUDGETS**

The District adopts an annual budget for the General Fund after conducting public hearings. Planning budgets are prepared for the enterprise funds. No budget comparison has been presented in these financial statements for the enterprise funds since the demand for goods and services primarily determines the revenue available and the expenses incurred.

**NOTE 9 - LOAN PAYABLE**

The interest rate on the State Water Resources Control Board Loan is 2.2% per annum and payments are due in September. The loan was paid in full in July 2015.

**NOTE 10 – FINANCIAL STATEMENT PRESENTATION**

Certain amounts from the prior year financial statements have been reclassified to conform to the current year presentation.

**NOTE 11 – SUBSEQUENT EVENTS**

Management has evaluated all known events that have occurred after June 30, 2016, and through January 26, 2017, the date when this financial statement was available to be issued, for inclusion in the financial statements and footnotes.

**NOTE 12 – HUMAN RESOURCES RECONCILIATION**

The District allocates total human resources expense, including payroll and wages, payroll taxes, worker’s comp, health insurance and all other related benefits to numerous funds and accounts. A reconciliation of these amounts is provided below for the year ended June 30, 2016:

<b>Total Labor Expenses (Wages, Benefits, Other)</b>	<b>\$</b>	<b>989,462</b>
<b>Reported in Financial Statements as follows:</b>		
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds		
Community Center		59,033
Fire Protection		49,047
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds		878,740
Transferred to Capital Labor and Capitalized as part of Fixed Assets on Balance Sheets		2,642
	<b>\$</b>	<b>989,462</b>

**RESORT IMPROVEMENT DISTRICT NO. 1**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 13 – PRIOR PERIOD ADJUSTMENTS**

In 1998, a sewer assessment was set up in conjunction with a Sewer Bond issuance. The Bond was paid off early. Over the years the assessment was supposed to have transferred administrative fees to operations, as a result, the sewer assessment totaling \$320,706 should have been closed out at the time the Bond was paid off.

The GASB 68 report for the California Public Employees' Retirement System was not available during the 2015 Audit. Additional pension entries needed to be made to coincide with the new Accounting standard for Pensions. This adjustment totaled \$98,762.

**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE**



**RESORT IMPROVEMENT DISTRICT NO. 1**  
**Statement of Revenues, Expenses, and**  
**Changes in Fund Balances**  
**Budget and Actual - Governmental Funds**  
**For the Year Ended June 30, 2016**

	<b>General Fund</b>		
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Property Taxes	\$ 405,000	\$ 364,518	\$ (40,482)
Grants	13,500	16,175	2,675
Special Assessments	98,158	116,123	17,965
Interest Income	6,000	21,332	15,332
Rent	31,800	35,928	4,128
Fire Protection Reimbursement	-	868	868
Other	17,200	45,966	28,766
	-		
Total Revenues	571,658	600,910	29,252
<b>EXPENDITURES</b>			
Current:			
General and Administrative	389,855	-	389,855
Fire Protection	108,006	109,350	(1,344)
Community Center	108,440	88,309	20,131
Noncurrent:			
Capital Outlay	174,005	169,332	4,673
Total Expenditures	780,306	366,991	413,315
Total Expenditures Allocated to Proprietary Funds	-	-	-
Net Total Expenditures	780,306	366,991	413,315
Excess of Revenues Over Expenditures	(208,648)	233,919	(442,567)
Allocated to Proprietary Funds	208,648	(233,919)	442,567
Excess (Deficiency) of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ -	-	\$ -
<b>FUND BALANCE - Beginning</b>		(291,916)	
<b>PRIOR PERIOD ADJUSTMENT - GASB 68</b>		(30,245)	
<b>FUND BALANCE - Ending</b>		\$ (322,161)	

**OTHER SUPPLEMENTARY INFORMATION**

**RESORT IMPROVEMENT DISTRICT NO. 1**  
**Combining Statement of Net Position - Proprietary Funds**  
**June 30, 2016**

	<u>Electric Utility</u>	<u>Sewer Utility</u>	<u>Water Utility</u>	<u>Total</u>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents				\$ -
Grant receivable	1,147,162	662,663	1,768,685	3,578,510
Accounts Receivable, Net of Allowance For Doubtful Accounts of \$2,198	160,607	24,854	8,719	194,180
Inventory of Materials and Supplies	105,075	2,970	64,797	172,842
Total Current Assets	<u>1,412,844</u>	<u>690,487</u>	<u>1,842,201</u>	<u>3,945,532</u>
<b>Noncurrent Assets</b>				
Fixed Assets	7,149,581	8,448,598	7,425,560	23,023,739
Accumulated Depreciation	(4,468,528)	(5,007,786)	(3,361,124)	(12,837,438)
Land	120,973	-	-	120,973
Total Noncurrent Assets	<u>2,802,026</u>	<u>3,440,812</u>	<u>4,064,436</u>	<u>10,307,274</u>
Total Assets	<u><b>4,214,870</b></u>	<u><b>4,131,299</b></u>	<u><b>5,906,637</b></u>	<u><b>14,252,806</b></u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts Payable	35,608	37,882	46,298	119,788
Customer Deposits	9,935	7,123	9,126	26,184
Payroll and Accrued Liabilities	41,761	5,671	17,544	64,976
Total Current Liabilities	<u>87,304</u>	<u>50,676</u>	<u>72,968</u>	<u>210,948</u>
<b>Noncurrent Liabilities</b>				
Net Pension Liability	<u>146,820</u>	<u>146,820</u>	<u>106,780</u>	<u>400,420</u>
Total Liabilities	<u><b>234,124</b></u>	<u><b>197,496</b></u>	<u><b>179,748</b></u>	<u><b>611,368</b></u>
<b>NET POSITION</b>				
Invested in Capital Assets, Net of Related Debt	2,802,026	3,440,812	4,064,436	10,307,274
Designated - Pension	(140,594)	(210,891)	(193,318)	(544,803)
Unrestricted	1,319,314	703,882	1,855,771	3,878,967
Total Net Position	<u><b>\$ 3,980,746</b></u>	<u><b>\$ 3,933,803</b></u>	<u><b>\$ 5,726,889</b></u>	<u><b>\$ 13,641,438</b></u>

**RESORT IMPROVEMENT DISTRICT NO. 1**  
**Combining Statement of Revenues, Expenses,**  
**and Changes in Fund Net Position- Proprietary Funds**  
**For the Year Ended June 30, 2016**

	<u>Electric</u> <u>Utility</u>	<u>Sewer</u> <u>Utility</u>	<u>Water</u> <u>Utility</u>	<u>Total</u>
<b>OPERATING REVENUES</b>				
Utility Service Charges	\$ 1,585,706	\$ 207,202	\$ 215,733	\$ 2,008,641
Capital Facility Charges	18,000	27,000	54,000	99,000
Special Assessments	-	216,271	-	216,271
Connection, Extension and Other Fees	69,926	6,150	23,694	99,770
Other Operational Income	10,193	-	-	10,193
	<u>1,683,825</u>	<u>456,623</u>	<u>293,427</u>	<u>2,433,875</u>
Total Operating Income				
<b>OPERATING EXPENSES</b>				
Human Resources	571,395	104,969	202,376	878,740
Materials, Supplies and Services	202,453	144,301	81,423	428,177
Power	515,670	-	-	515,670
Insurance	11,338	12,368	8,246	31,952
Depreciation	259,922	289,850	195,513	745,285
Allocated Administrative Costs	72,157	8,779	15,228	96,164
	<u>1,632,935</u>	<u>560,267</u>	<u>502,786</u>	<u>2,695,988</u>
Total Operating Expenses				
Operating Income (Loss)	<u>50,890</u>	<u>(103,644)</u>	<u>(209,359)</u>	<u>(262,113)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest	-	164	-	164
Property Taxes	7,786	197,776	81,845	287,407
Grant Revenue	-	-	123,436	123,436
Transfers In	184,666	24,130	25,123	233,919
Transfers Out	-	-	-	-
	<u>192,452</u>	<u>222,070</u>	<u>230,404</u>	<u>644,926</u>
Total Non-Operating Revenues				
Net Income (Loss)	243,342	118,426	21,045	382,813
<b>TOTAL NET POSITION - Beginning</b>	<u>3,761,716</u>	<u>4,162,606</u>	<u>5,723,526</u>	<u>13,647,848</u>
<b>PRIOR PERIOD ADJUSTMENT</b>	(24,312)	(347,229)	(17,682)	(389,223)
<b>TOTAL NET POSITION - Ending</b>	<u><u>\$ 3,980,746</u></u>	<u><u>\$ 3,933,803</u></u>	<u><u>\$ 5,726,889</u></u>	<u><u>\$ 13,641,438</u></u>

**RESORT IMPROVEMENT DISTRICT NO. 1**  
**Combining Statement of Cash Flows - Proprietary Funds**  
**For the Year Ended June 30, 2016**

	<u>Electric Utility</u>	<u>Sewer Utility</u>	<u>Water Utility</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers and Users	\$ 1,705,240	\$ 457,211	\$ 314,078	\$ 2,476,529
Receipts from Interfund Services Provided	-	-	-	-
Payments to Suppliers	(825,336)	(176,025)	(105,496)	(1,106,857)
Payments to Employees	(586,683)	(146,021)	(204,465)	(937,169)
Adjustment from Prior Period Adjustment	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net Cash Provided (Used) by Operating Activities	293,221	135,165	4,117	432,503
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Other Non-Operating Revenues	7,786	197,776	81,845	287,407
Operating Transfers In	184,666	24,130	25,123	233,919
Operating Transfers Out	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net Cash Provided (Used) by Non-Capital Financing Activities	192,452	221,906	106,968	521,326
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of Fixed Assets	(164,718)	(12,016)	(280,728)	(457,462)
Capital Grants	-	-	123,436	123,436
Payment of Long Term Debt	-	(237,506)	-	(237,506)
Grant Receivable	-	-	42,872	42,872
	<hr/>	<hr/>	<hr/>	<hr/>
Net Cash Provided (Used) by Capital and Related Financing Activities	(164,718)	(249,522)	(114,420)	(528,660)
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>				
Interest Received	-	164	-	164
	<hr/>	<hr/>	<hr/>	<hr/>
Net Cash Provided by Investing Activities	-	164	-	164
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
	320,955	107,713	(3,335)	425,333
<b>CASH AND CASH EQUIVALENTS Beginning of Year</b>				
	<hr/>	<hr/>	<hr/>	<hr/>
	826,207	554,950	1,772,020	3,153,177
<b>CASH AND CASH EQUIVALENTS End of Year</b>				
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>\$ 1,147,162</u>	<u>\$ 662,663</u>	<u>\$ 1,768,685</u>	<u>\$ 3,578,510</u>

**RESORT IMPROVEMENT DISTRICT NO. 1**  
**Combining Statement of Cash Flows - Proprietary Funds**  
**For the Year Ended June 30, 2016**

	<u>Electric Utility</u>	<u>Sewer Utility</u>	<u>Water Utility</u>	<u>Total</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ 50,890	\$ (103,644)	\$ (209,359)	\$ (262,113)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities:				
Prior Period Adjustment for Pension	(24,312)	(26,522)	(17,682)	(68,516)
Depreciation	259,922	289,850	195,513	745,285
Changes in Assets and Liabilities:				
Receivables	7,643	(171)	17,463	24,935
Materials	13,772	759	3,188	17,719
Accounts Payable	(1,531)	26,971	15,533	40,973
Deposits	(3,534)	340	563	(2,631)
Accrued Liabilities	<u>(9,628)</u>	<u>(52,419)</u>	<u>(1,102)</u>	<u>(63,149)</u>
<b>Net Cash Provided (Used) By Operating Activities</b>	<b><u>\$ 293,222</u></b>	<b><u>\$ 135,164</u></b>	<b><u>\$ 4,117</u></b>	<b><u>\$ 432,503</u></b>

**RESORT IMPROVEMENT DISTRICT NO. 1**  
**SCHEDULE OF CONTRIBUTIONS FOR THE LAST TEN YEARS \***  
**CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**June 30, 2016**

	June 30, 2016	June 30, 2015
Employer Contributions	\$ 44,589	\$ 64,178
Covered-employee payroll	\$ 792,444	\$ 851,032
Contributions as a percentage of covered-employee payroll	5.63%	7.54%

**NOTES TO SCHEDULE:**

Actuarial valuation date 6/30/2013

Methods and assumptions used to determine contribution rates:

Actuarial funding method	Entry age normal cost
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20 years (a)
Asset valuation method	Smoothed value
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.65%, net of pension plan investment expense
Retirement age	60 years
Mortality	CalPERS Mortality Experience Study

(a) - Actuarial Policy ACT-96-0SE specifies that all changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methodology are amortized separately over a 20-year period. In addition, all gains or losses are tracked and the net unamortized gain or loss is amortized as a rolling 30-year amortization with the exception of gains and losses in fiscal years 2008-09, 2009-10 and 2010-11 in which each years' gains or losses will be isolated and amortized over fixed and declining 30-year periods (as opposed to the current rolling 30-year amortization). Also, if a plan's accrued liability exceeds the actuarial value of assets, the annual contribution with respect to the total unfunded liability may not be less than the amount produced by a 30-year amortization of the unfunded liability. Finally, all plans are subject to a minimum employer contribution rate equal to the employer normal cost plus a 30-year amortization of surplus, if any.

\* - Fiscal year 2015 was the first year of implementation

**RESORT IMPROVEMENT DISTRICT NO. 1**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE LAST TEN YEARS \***  
**CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**June 30, 2016**

	June 30, 2016	June 30, 2015
Plan's proportion of the net pension liability	0.024326%	0.031083%
Plan's proportionate share of the net pension liability	\$ 667,367	\$ 768,202
Plan's covered-employee payroll	\$ 792,444	\$ 851,032
Plan's proportionate share of the net pension liability as percentage of covered-employee payroll	84.22%	90.27%
Plan's proportionate share of the fiduciary net position as a percentage of the total pension liability	82.30%	83.60%

**NOTES TO SCHEDULE:**

Benefit changes: There were no changes to benefit terms.

Changes in assumptions: The discount rate was changed from 7.50 percent (net of administrative costs to 7.65 percent to correct for an adjustment to exclude administrative costs.

\* - Fiscal year 2015 was the first year of implementation