# RESORT IMPROVEMENT DISTRICT NO. 1

## FINANCIAL STATEMENTS

## June 30, 2020

**RESORT IMPROVEMENT DISTRICT NO. 1**

**FINANCIAL STATEMENTS**

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**FINANCIAL STATEMENTS**

**June 30, 2020**

## Required Supplementary Information

### Budgetary Comparison Schedule



## Other Supplementary Information

## RESORT IMPROVEMENT DISTRICT

## PRINCIPAL OFFICIALS

### JUNE 30, 2020

## BOARD OF DIRECTORS

| Name | Office |
| --- | --- |
| Michael Schad | President |
| Susan Fox | Vice - President |
| David Sommer | Director |
| Celeste Myers | Director |
| Jack Hargrave | Director |

## GENERAL MANAGER

Justin R. Robbins

ANDERSON, LUCAS, SOMERVILLE & BORGES, LLP
CERTIFIED PUBLIC ACCOUNTANTS
KEITH D. BORGES, CPA
BARBARA J. GUEST, CPA
RITA CHISM
VANESSA ANDERSON, EA
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JAMES M. ANDERSON (1964-2001)
EUGENE B. LUCAS (1950-2013)
DAVID A. SOMERVILLE, 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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**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 this matter does not constitute a modification to our opinions.

**Other Matters**

*Required Supplementary Information*

Management has omitted a 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. Although not a part of the basic financial statements, it 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, and budgetary comparison schedule on page 30 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.

*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 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.

September 24, 2021
Fortuna, California

Anderson, Lucas, Somerville, & Borges

# BASIC FINANCIAL STATEMENTS

# GOVERNMENT-WIDE FINANCIAL STATEMENTS

**RESORT IMPROVEMENT DISTRICT NO. 1**
**Statement of Net Position**
**June 30, 2020**

| | Governmental Activities | Business-type Activities | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and Cash Equivalents | $ 146,485 | $ 2,849,007 | $ 2,995,492 |
| Grants Receivable | - | 679,456 | 679,456 |
| Accounts Receivable, Net of Allowance | | | |
| For Doubtful Accounts of $2,198 | - | 235,878 | 235,878 |
| Prepaid Expenses | 7,583 | - | 7,583 |
| Inventory of Materials and Supplies | - | 153,524 | 153,524 |
| Fixed Assets | | | |
| Land | 279,340 | 105,525 | 384,865 |
| Utility Systems and Golf Course | - | 27,197,494 | 27,197,494 |
| General Plant and Equipment | 3,313,604 | - | 3,313,604 |
| Accumulated Depreciation | (1,263,292) | (14,149,705) | (15,412,997) |
| Total Assets | 2,483,720 | 17,071,179 | 19,554,899 |
| **DEFERRED OUTFLOWS OF RESOURCES** | - | 324,345 | 324,345 |
| Total Assets and Deferred Outflows of Resources | **$ 2,483,720** | **$ 17,395,524** | **$ 19,879,244** |
| **LIABILITIES** | | | |
| Accounts Payable | 58,545 | 31,787 | 90,332 |
| Deferred Grant revenue | 74,471 | - | 74,471 |
| Bridge Loan | - | 207,707 | 207,707 |
| Customer Deposits | - | 43,425 | 43,425 |
| Payroll and Accrued Liabilities | 21,052 | 71,719 | 92,771 |
| Net Pension Liability | - | 1,073,787 | 1,073,787 |
| Total Liabilities | 154,068 | 1,428,425 | 1,582,493 |
| **DEFERRED INFLOWS OF RESOURCES** | - | 82,281 | 82,281 |
| Total Liabilities and Deferred Inflows of Resources | **$ 154,068** | **$ 1,510,706** | **$ 1,664,774** |
| **NET POSITION** | | | |
| Invested in Capital Assets, | - | - | - |
| Net of Related Debt | 2,329,652 | 13,153,314 | 15,482,966 |
| Designated - Pension | - | (1,073,787) | (1,073,787) |
| Unrestricted | - | 3,805,291 | 3,805,291 |
| Total Net Position | **$ 2,329,652** | **$ 15,884,818** | **$ 18,214,470** |

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, 2020**

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Payments in Lieu of Services | Program Revenues: Other Program Revenues | Program Revenues: Total | Net (Expense) Revenue and Changes in Net Position: Governmental Activities | Net (Expense) Revenue and Changes in Net Position: Business-Type Activities | Net (Expense) Revenue and Changes in Net Position: Total |
|---|---|---|---|---|---|---|---|---|---|
| **Primary Government** | | | | | | | | | |
| Governmental Activities | | | | | | | | | |
| General Government | $ 108,316 | $ 60,670 | | $ - | $ - | $ 60,670 | $ (47,646) | $ - | $ (47,646) |
| Public Safety - Fire | 324,265 | - | 3,918 | - | - | 3,918 | (320,347) | - | (320,347) |
| Airport | 34,139 | - | 222,000 | - | - | 222,000 | 187,861 | - | 187,861 |
| Community Development | 167,506 | 1,180 | 9,635 | - | - | 10,815 | (156,691) | - | (156,691) |
| Total Governmental Activities | 634,226 | 61,850 | 235,553 | - | - | 297,403 | (336,823) | - | (336,823) |
| **Business-type Activities** | | | | | | | | | |
| Water | 762,587 | 350,235 | - | - | 80,519 | 430,754 | - | (331,833) | (331,833) |
| Sewer | 624,410 | 272,030 | - | - | 34,119 | 306,149 | - | (318,261) | (318,261) |
| Electric | 2,084,269 | 1,374,567 | 7,395 | - | 135,749 | 1,517,711 | - | (566,558) | (566,558) |
| Total Business-type Activities | 3,471,266 | 1,996,832 | 7,395 | - | 250,387 | 2,254,614 | - | (1,216,652) | (1,216,652) |
| **Total Primary Government** | $ 4,105,492 | $ 2,058,682 | $ 242,948 | $ - | $ 250,387 | $ 2,552,017 | (336,823) | (1,216,652) | (1,553,475) |
| **General Revenues** | | | | | | | | | |
| Taxes | | | | | | | | | |
| Property Taxes | | | | | | | 370,283 | 264,987 | 635,270 |
| Special Assessments | | | | | | | 378,049 | 184,940 | 562,989 |
| Capital Grants | | | | | | | - | 1,972,231 | 1,972,231 |
| Investment Earnings | | | | | | | 42,958 | - | 42,958 |
| Miscellaneous | | | | | | | 3,186 | - | 3,186 |
| Transfers | | | | | | | (234,357) | 234,357 | - |
| Total General Revenues, Special Items and Transfers | | | | | | | 560,119 | 2,656,515 | 3,216,634 |
| Change in Net Position | | | | | | | 223,296 | 1,439,863 | 1,663,159 |
| Net Position - Beginning of Year | | | | | | | 2,106,356 | 14,444,955 | 16,551,311 |
| Prior Period Adjustment - Capital Outlay Adjustment | | | | | | | - | - | - |
| Net Position - End of Year | | | | | | | $ 2,329,652 | $ 15,884,818 | $ 18,214,470 |

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, 2020**

| | |
|---|---|
| **ASSETS** | |
| Cash and Cash Equivalents | $ 146,485 |
| Accounts Receivable, Net of Allowance for Doubtful Accounts of $0 | - |
| Grant Receivable | - |
| Prepaid Expenses | 7,583 |
| Total Assets | **$ 154,068** |
| **LIABILITIES** | |
| Accounts Payable | 58,545 |
| Payroll and Accrued Liabilities | 21,052 |
| Deferred Revenue | 74,471 |
| Total Liabilities | 154,068 |
| **FUND BALANCE** | |
| Fund Balance - Unassigned | - |
| Total Fund Balance | - |
| Total Liabilities and Fund Balance | **$ 154,068** |

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, 2020**

| | | |
|---|---|---|
| **TOTAL FUND BALANCES - Governmental Funds** | $ | - |
| Amounts reported for governmental activities in the Statement of Net Postion are different because: | | |
| Capital assets used in governmental activites are not financial resources and therefore are not reported in the funds. | $ | 3,592,944 |
| Accumulated depreciation on general fixed assets | | (1,263,292) |
| **Net Position of Governmental Activities** | **$** | **2,329,652** |

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, 2020**

| | |
|---|---|
| **REVENUES** | |
| Property Taxes | $ 370,283 |
| Special Assessments | 378,049 |
| Interest Income | 42,958 |
| Rent | 61,850 |
| Grants | 235,553 |
| Other | 3,186 |
| Total Revenues | 1,091,879 |
| **EXPENDITURES** | |
| General and Administrative | 84,275 |
| Fire Protection: Human Resources | 49,665 |
| Fire Protection: Other Expenditures | 188,040 |
| Community Center: Human Resources | 83,648 |
| Community Center: Other Expenditures | 46,572 |
| Grant Expenditures | 2,939 |
| Capital Outlay | 402,383 |
| Total Expenditures | 857,522 |
| **Excess of Revenues Over Expenditures** | 234,357 |
| **Allocated to Proprietary Funds** | (234,357) |
| **Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses** | - |
| **FUND BALANCES - Beginning of Year** | - |
| **FUND BALANCES - End of Year** | $ - |

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, 2020**

| | |
|---|---|
| **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 | 402,383 |
| Depreciation expense has not been included in the Governmental Fund Financial Statements. | (179,087) |
| **Change in Net Position of Governmental Activities** | **$ 223,296** |

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, 2020**

| | | |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and Cash Equivalents | $ | 2,849,007 |
| Accounts Receivable, Net of Allowance | | |
| For Doubtful Accounts of $2,198 | | 235,878 |
| Grants Receivable | | 679,456 |
| Inventory of Materials and Supplies | | 153,524 |
| Total Current Assets | | 3,917,865 |
| **Noncurrent Assets** | | |
| Fixed Assets | | 27,197,494 |
| Land | | 105,525 |
| Accumulated Depreciation | | (14,149,705) |
| Total Noncurrent Assets | | 13,153,314 |
| Total Assets | | 17,071,179 |
| **Deferred Outflows of Resources** | | 324,345 |
| Total Assets and Deferred Outflows of Resources | | **17,395,524** |
| **LIABILITIES** | | |
| **Current Liabilities** | | |
| Accounts Payable | | 31,787 |
| Bridge Loan | | 207,707 |
| Customer Deposits | | 43,425 |
| Payroll and Accrued Liabilities | | 71,719 |
| Total Current Liabilities | | 354,638 |
| **Non Current Liabilities** | | |
| Net Pension Liability | | 1,073,787 |
| Total Liabilities | | 1,428,425 |
| **Deferred Inflows of Resources** | | 82,281 |
| Total Liabilities and Deferred Inflows of Resources | | **1,510,706** |
| **NET POSITION** | | |
| Invested in Capital Assets | | |
| Net of Related Debt | | 13,153,314 |
| Designated - Pension | | (1,073,787) |
| Unrestricted | | 3,805,291 |
| Total Net Position | **$** | **15,884,818** |

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, 2020**

| | | |
|---|---|---|
| **OPERATING REVENUES** | | |
| Utility Service Charges | $ | 1,996,832 |
| Capital Facility Charges | | 77,304 |
| Special Assessments | | 184,940 |
| Connection, Extension and Other Fees | | 173,083 |
| Donation | | 7,395 |
| Total Operating Revenue | | 2,439,554 |
| **OPERATING EXPENSES** | | |
| Human Resources | | 1,492,330 |
| Materials, Supplies and Services | | 507,690 |
| Power | | 444,477 |
| Insurance | | 60,454 |
| Depreciation | | 741,493 |
| Allocated Administrative Costs | | 192,736 |
| Total Operating Expenses | | 3,439,180 |
| Operating Income (Loss) | | (999,626) |
| **NON-OPERATING REVENUES (EXPENSES)** | | |
| Interest Expense | | (32,086) |
| Property Taxes | | 264,987 |
| Grant Revenue | | 1,972,231 |
| Transfers In | | 234,357 |
| Transfers Out | | - |
| Total Non-Operating Revenues (Expenses) | | 2,439,489 |
| Net Income | | 1,439,863 |
| **TOTAL NET POSITION - Beginning of Year** | | 14,444,955 |
| **TOTAL NET POSITION - End of Year** | **$** | **15,884,818** |

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, 2020**

| | |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | |
| Receipts from Customers and Users | $ 2,411,415 |
| Payments to Suppliers | (1,014,576) |
| Payments to Employees and for Benefits | (1,399,583) |
| Net Cash Provided (Used) by Operating Activities | (2,744) |
| **CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES** | |
| Other Non-Operating Revenues | 264,987 |
| Operating Transfers In | 234,357 |
| Interest Paid | (32,086) |
| Net Cash Provided by Non-Capital Financing Activities | 467,258 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | |
| Acquisition of Fixed Assets | (2,484,932) |
| Capital Grants | 1,588,247 |
| Proceeds from Loan | 2,496,774 |
| Principal payments on Loan | (2,291,915) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (691,826) |
| **CASH FLOWS FROM INVESTMENT ACTIVITIES** | |
| Interest Received | - |
| Net Cash Provided by Investing Activities | - |
| **INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | (227,312) |
| **CASH AND CASH EQUIVALENTS - Beginning of Year** | 3,076,319 |
| **CASH AND CASH EQUIVALENTS - End of Year** | **$ 2,849,007** |

**SUPPLEMENTAL INFORMATION**

Interest Paid $32,086

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, 2020

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

| | |
|---|---|
| Operating Income (Loss) | $ (999,626) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | |
| Current Period Adjustment for Pension | 95,305 |
| Depreciation | 741,493 |
| Changes in Assets and Liabilities: | |
| Receivables | 232,321 |
| Inventory | (1,199) |
| Accounts Payable | (67,783) |
| Deposits | (697) |
| Accrued Liabilities | (2,558) |
| Net Cash Provided (Used) by Operating Activities | **$ (2,744)** |

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

# NOTES TO THE FINANCIAL STATEMENTS

## 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, 2020. 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.

## 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.

## 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.

## 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.

Management has adopted the provisions of the following Governmental Accounting Standards Board Statement, which became effective for fiscal years beginning after June 30, 2015, that affected the financial reporting for pensions.

> Statement 73 – *Accounting and Financial Reporting for Pensions, and Related Assets that are not within the scope of GASB 68, and amendments to certain provisions of GASB 67 and 68.*

### 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.

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

### Basis of Accounting (Continued)

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.

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.
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.

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

### 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.

### 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. The District has permitted employees to accrue vacation over one year due to limited staff and the busy workload.

### 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.

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

### Property Taxes and Assessments (Continued)

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 and sewer 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. There are also fire protection taxes depending on type of lot, ranging from $99 for undeveloped, $125 for residential, and $250 for commercial and multifamily lots.

### 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".

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

### 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.

## NOTE 2- 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.

## NOTE 3 - FIXED ASSETS

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

| | June 30, 2019 | Additions | Retirements | June 30, 2020 |
|---|---|---|---|---|
| Land and Land Rights | $ 279,340 | $ - | $ - | $ 279,340 |
| Airport Improvements | 710,817 | 275,517 | - | 986,334 |
| Fire Equipment | 1,051,225 | 87,538 | - | 1,138,763 |
| Administration | 286,982 | 6,658 | - | 293,640 |
| Parks | 862,197 | 32,670 | - | 894,867 |
| Construction in Progress | - | - | - | - |
| | $ 3,190,561 | $402,383 | $ - | **$ 3,592,944** |

## NOTE 3 - FIXED ASSETS (Continued)

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

| | |
|---|---|
| Electrical System | 8,368,983 |
| Land | 105,525 |
| Allowance for Depreciation | (5,465,351) |
| | 3,009,157 |
| Water System | 11,500,612 |
| Allowance for Depreciation | (3,587,276) |
| | 7,913,336 |
| Sewer System | 7,327,899 |
| Allowance for Depreciation | (5,097,078) |
| | 2,230,821 |
| Total | **13,153,314** |

## NOTE 4 - 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 District had the following cash and cash equivalents on June 30, 2020:

| | Not rated | Fair Value |
|---|---|---|
| Cash in bank | $ 721,172 | $ 721,172 |
| Cash on hand | 3,114 | 3,114 |
| Humboldt County Treasury | 1,876,251 | 1,876,251 |
| California Local Agency Investment Fund (LAIF) | 394,955 | 394,955 |
| Total | **$ 2,995,492** | **$ 2,995,492** |

| | |
|---|---|
| Presentation in Statement of Net Position | |
| Cash and cash equivalents - Government activities | $ 146,485 |
| Cash and cash equivalents - Business -type activities | 2,849,007 |
| | **$ 2,995,492** |

## NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

### Cash Deposits

The District pools cash from all sources. The District invests excess cash in the Humboldt County Treasury and LAIF investment pools, which at June 30, 2020, approximated fair value of $1,876,251 and $394,955, respectively.

The California Government Code requires California banks and savings and loan associations to secure government cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral is considered to be held in the government's name.

According to California law, the market value of pledged securities with banking institutions must equal at least 110% of the government's cash deposits. California law also allows institutions to secure government deposits by pledging first trust deed mortgage notes having a value of 150% of the government's total cash deposits. The government can waive collateral requirements for cash deposits, which are fully insured up to $250,000 by the Federal Deposit Insurance Corporation. The County has waived these collateralization requirements.

The County Treasurer maintains a cash and investment pool, on behalf of the District, as their custodian, which includes cash balances and authorized investments for all District funds, which is invested to enhance interest earnings. The pooled interest earned is allocated quarterly to the District based on average daily cash and investment balance.

### Investments

The District is authorized by State statutes and Governing Board action to invest in the following:

- United States Treasury notes, bonds, bills or certificates of indebtedness.
- Registered state warrants or treasury notes or bonds of the State of California.
- Bonds, notes, warrants or other evidences of indebtedness of any local agency within the State of California.
- Obligations issued by banks and guaranteed by federal agency or United States government-sponsored enterprise.
- Negotiable certificates of deposit or time deposits placed with commercial banks and/or savings and loan companies.
- Banker's acceptances.
- Commercial paper.
- California Local Agency Investment Fund (LAIF).
- Humboldt County Treasury

## NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

### Investments (Continued)

The District's practice has been to limit investments to LAIF and the Humboldt County Treasury, unrated investment pools, which limits the exposure of District funds to interest rate and credit risk by treating all balances as current.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments were stated at fair value using the aggregate method, which includes any adjustments recorded in interest/investment income.

California statutes authorize Special Districts to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. The only authorized investment vehicles that address interest rate risk, credit risk, and concentration of credit risk, per the District's investment policy, are the State of California Local Agency Investment Fund (LAIF) and Humboldt County Treasurer.

Concentration of credit risk – The District's investment policy does not allow for an investment in any one issuer that is in excess of five percent of the government's total investments. The investments made by the District Manager are limited to those allowable under State statutes as incorporated into the District's Investment Policy, which is accepted annually by the District Board. There were no concentrations in any one issuer for the year.

The District participates in an investment pool managed by the State of California known as the Local Agency Investment Fund (LAIF) which has invested 3.37% 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 such as changes in interest rates.

*Custodial credit risk* - Deposits. For deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's Investment Policy addresses custodial credit risk, which follows the Government Code.

## NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

### Investments (Continued)

*Custodial credit risk* – Investments. For investments, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside counterparty. For the investments maintained by the District, no security was uninsured or unregistered or held by a brokerage firm which is also the counterparty for the security.

At June 30, 2020, the carrying amount of the District's deposits was $721,172 and the balances in financial institutions were $721,172. Of the balance in financial institutions, the amount was within the $250,000 covered by federal depository insurance. Amounts that exceeds the federal depository insurance $250,000 coverage was collateralized as required by State law (Government Code Section 53630), by the pledging financial institution with assets held in a common pool for the District and other governmental agencies, but not in the name of the District. Investments were held by the custodial agent and were insured up to specified limits by the Securities Investor Protection Corporation (SIPC) and supplemental private insurance up to a limit of $150 million.

### Investments in External Investment Pools

### Investment in LAIF:

LAIF is stated at amortized cost, which approximates fair value. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. As of June 30, 2020, the total fair value amount invested by all public agencies in LAIF is $101.8 billion of which the District's fair value amount is $394,955. Of the total invested, 3.37% was invested in Structured Notes and Asset-Backed securities.

The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute.

The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

## NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

### Investments in External Investment Pools (Continued)

### Investment in Humboldt County Treasury:

The District's investments with the County at June 30, 2020, included a portion of the pool funds invested in structured notes and asset backed securities and similar transactions. These investments may include the following:

> Structured Notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depends on one or more indices and/or that have embedded forwards or options.
>
> Asset-backed Securities, the bulk of which are mortgage-backed securities, entitle their purchaser to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMOs) or credit card receivables

As of June 30, 2020, the District also had $1,876,251 invested directly in the County investment pool. The County portfolio summary at June 30, 2020 is as follows:

| Investments | Market Value | Book Value | Percentage of Portfolio |
|---|---|---|---|
| Certificates of Deposit | $ 8,581,000 | $ 8,581,000 | 2.51 |
| Money Markets | 136,286,839 | 136,286,839 | 39.92 |
| Medium Term Notes | 22,140,391 | 22,183,270 | 6.5 |
| Federal Agency Coupon Securities | 130,437,413 | 129,711,070 | 37.99 |
| Treasury Coupon Securities | 34,076,196 | 34,076,489 | 9.98 |
| Municipal Bonds | 10,602,891 | 10,562,292 | 3.09 |
| | **$342,124,730** | **$ 341,400,960** | |

Average Daily Balance - $347,355,165
Effective Rate of Return - 1.94%
Average Days to Maturity - 442

## NOTE 5 - 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 6 - 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, 2020 and 2019 were $75,718 and $66,739, respectively and equal the total required contributions for each year. Beginning in FY 2015-2016, CalPERS began collecting additional employer contributions toward the unfunded liability. Payments made against the unfunded liability during the years ended June 30, 2020 and 2019 were $90,993 and $74,755, respectively. As of June 30, 2020, and 2019, Resort Improvement District No 1 reported a net pension liability in the amount of $1,073,787 and $983,398, 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, 2015 rolled forward to June 30, 2019 and June 30, 2018 measurement dates, using standard update procedures.

## NOTE 6 - 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 60 | 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 | $ 166,712 | $ - |
| Differences between expected and actual experience | 74,579 | 5,778 |
| Differences between the employer's contributions and the employer's proportionate share of contributions | - | 39,580 |
| Changes of assumptions | 51,203 | 18,151 |
| Change in employer's proportion | 31,850 | - |
| Net difference between projected and actual earnings on plan investments | - | 18,773 |
| Total | **$ 324,344** | **$ 82,282** |

$166,712 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension swill be recognized as pension expense over 3.8 to 5 years. The deferred outflows of resources and deferred inflows of resources reported in the chart above will be amortized in the proportionate share of pension expense as follows:

| Year Ended June 30 | Increase (Decrease) Pension Expense |
|---|---|
| 2021 | $ 74,027 |
| 2022 | (10,724) |
| 2023 | 8,254 |
| 2024 | 3,793 |
| Total | $ 75,350 |

## NOTE 6 - RETIREMENT PLAN (Continued)

**Actuarial Assumptions** – For the measurement period ended June 30, 2019 (the measurement date), the total pension liability for the Plan was determined by rolling forward the June 30, 2015 total pension liability. The June 30, 2019 and June 30, 2018 total pension liabilities for the Plan were based on the following actuarial assumptions:

| | |
|---|---|
| Actuarial Cost Method | Entry-age normal cost method |
| Actuarial Assumptions: | |
| Discount Rate | 7.15% |
| Inflation | 2.50% |
| Payroll Growth | 3.0% |
| Projected Salary Increase | Varies by entry age and service |
| Investment Rate of Return | 7.15% (a) |
| Mortality | Derived using CalPERS's membership data for all funds |
| Post -retirement benefit increase | Contract COLA up to 2.50% until purchasing power protection allowance floor. |

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

**Changes of Assumptions** – The discount rate was changed from 7.65 % (net of administrative costs) in 2017 to 7.15% .

**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 the District'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% 6.15% | Current Discount 7.15% | Discount Rate plus 1% 8.15% |
|---|---|---|---|
| Net pension liability | $1,764,633 | $1,073,787 | $503,543 |

**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.

## NOTE 6 - RETIREMENT PLAN (Continued)

In determining the long-term expected rate of return, CalPERS staff considered 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.

| Asset Class | New Strategic Allocation | Real Return Years 1 - 10 (a) | Real Return Years 11+ (b) |
|---|---|---|---|
| Global Equity | 50% | 4.80% | 5.98% |
| Fixed Income | 28% | 1.00% | 2.62% |
| Inflation Sensitive | 0% | 0.77% | 1.81% |
| Private Equity | 8% | 6.30% | 7.23% |
| Real Estate | 13% | 3.75% | 4.93% |
| Liquidity | 1% | - | -0.92% |
| | 100% | | |

(a) - An expected inflation of 2.0% used for this period

(b) - An expected inflation of 2.92% 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.

On June 30, 2020, the District reported no amount payable for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

The District also offers a Supplemental Income Plan (SIP) 457 Plan to its employees. Contributions received in 2020 total $47,848.22.

Beginning September 30, 2020, the District also started a Pepra Safety Fire Plan.

## NOTE 7 - 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 8 – WATER TANK REPLACEMENT CONSTRUCTION PROJECT

The Water Tank Project is a construction project to replace seven water tanks throughout Shelter Cove. The District obtained a construction loan with 100% principal forgiveness for $5,000,000. Funding has been obtained in full or in part by Proposition 1 – the Water Quality, Supply, and Infrastructure Improvement Act of 2014 and the Drinking Water State Revolving Fund through an agreement with the State Water Resources Control Board. Construction started in July 2018 and was completed by March 2020. Grant revenue totaled $1,972,231 including $679,456 grant receivable for 2020.

## NOTE 9 – BRIDGE LOAN FOR CONSTRUCTION PROJECT

Management received a bridge loan from Umpqua Bank on July 1, 2018 to cover expenses for the Water Tank Project. The loan is not to exceed $2,000,000. Loan payments are to commence on October 1, 2018 with loan interest rate equal to Prime minus 1.10%. The balance on June 30, 2020 was $207,707. The loan was paid off in September 2020.

## NOTE 10 - 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, 2020:

| | |
|---|---|
| **Total Labor Expenses (Wages, Benefits, Other)** | **$ 1,709,918** |
| **Reported in Financial Statements as follows:** | |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | |
| Administrative | 84,275 |
| Community Center | 83,648 |
| Fire Protection | 49,665 |
| Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds | 1,492,330 |
| | **$ 1,709,918** |

## NOTE 11 - FINANCIAL STATEMENT PRESENTATION

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

## NOTE 12 - SUBSEQUENT EVENTS

Management has evaluated all known events that have occurred after June 30, 2020, and through September 24, 2021, the date when this financial statement was available to be issued, for inclusion in the financial statements and footnotes.

Management was informed of an error in calculating retirement contributions for two part-time employees in November 2020. The arrearage totaled $30,433.

The District's operations were affected by the recent and ongoing outbreak of the Covid-19 disease which was declared a pandemic by the World Health Organization in March 2020. The extent to which the virus impacts the District's operations will depend on future developments, which are highly uncertain, including the duration and severity of the outbreak. While management expects this matter to negatively impact its results of operations, cash flows and financial position, the related impact cannot be reasonably estimated at this time.

# 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, 2020**

| | General Fund | | |
|---|---|---|---|
| | Original and Final Budget | Actual | Variance Favorable (Unfavorable) |
| **REVENUES** | | | |
| Property Taxes | $ 425,000 | $ 370,283 | $ (54,717) |
| Grants | 202,000 | 235,553 | 33,553 |
| Special Assessments | 425,000 | 378,049 | (46,951) |
| Interest Income | 30,000 | 42,958 | 12,958 |
| Rent | 50,000 | 61,850 | 11,850 |
| Other | 46,000 | 3,186 | (42,814) |
| Total Revenues | 1,178,000 | 1,091,879 | (86,121) |
| **EXPENDITURES** | | | |
| Current: | | | |
| General and Administrative | 558,683 | 84,275 | 474,408 |
| Fire Protection | 266,172 | 237,705 | 28,467 |
| Community Center | 124,995 | 130,220 | (5,225) |
| Grant Expenditures | - | 2,939 | (2,939) |
| Noncurrent: | | | |
| Capital Outlay | 283,000 | 402,383 | (119,383) |
| Total Expenditures | 1,232,850 | 857,522 | 375,328 |
| Total Expenditures Allocated to Proprietary Funds | - | - | - |
| Net Total Expenditures | 1,232,850 | 857,522 | 375,328 |
| Excess (Deficiency) of Revenues Over Expenditures | (54,850) | 234,357 | (289,207) |
| Allocated to Proprietary Funds | 54,850 | (234,357) | 289,207 |
| Excess (Deficiency) of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | $ - | - | $ - |
| **FUND BALANCE - Beginning** | | - | |
| **PRIOR PERIOD ADJUSTMENT** | | - | |
| **FUND BALANCE - Ending** | | $ - | |

# OTHER SUPPLEMENTARY INFORMATION

# RESORT IMPROVEMENT DISTRICT NO. 1
## Combining Statement of Net Position - Proprietary Funds
### June 30, 2020

| | Electric Utility | Sewer Utility | Water Utility | Total |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current Assets** | | | | |
| Cash and Cash Equivalents | $ (39,443) | $ 436,916 | $ 2,451,534 | $ 2,849,007 |
| Accounts Receivable, Net of Allowance | | | | |
| For Doubtful Accounts of $2,198 | 157,379 | 30,412 | 48,087 | 235,878 |
| Grant Receivable | - | - | 679,456 | 679,456 |
| Inventory of Materials and Supplies | 100,532 | 2,113 | 50,879 | 153,524 |
| Total Current Assets | 218,468 | 469,441 | 3,229,956 | 3,917,865 |
| **Noncurrent Assets** | | | | |
| Fixed Assets | 8,368,983 | 7,327,899 | 11,500,612 | 27,197,494 |
| Accumulated Depreciation | (5,465,351) | (5,097,078) | (3,587,276) | (14,149,705) |
| Land | 105,525 | - | - | 105,525 |
| Total Noncurrent Assets | 3,009,157 | 2,230,821 | 7,913,336 | 13,153,314 |
| Total Assets | 3,227,625 | 2,700,262 | 11,143,292 | 17,071,179 |
| **Deferred Outflows of Resources** | 120,007 | 120,007 | 84,331 | 324,345 |
| Total Assets and Deferred Outflows of Resources | **3,347,632** | **2,820,269** | **11,227,623** | **17,395,524** |
| **LIABILITIES** | | | | |
| **Current Liabilities** | | | | |
| Accounts Payable | 14,375 | 11,111 | 6,301 | 31,787 |
| Bridge Loan | - | - | 207,707 | 207,707 |
| Customer Deposits | 16,686 | 10,130 | 16,609 | 43,425 |
| Payroll and Accrued Liabilities | 41,801 | 11,210 | 18,708 | 71,719 |
| Total Current Liabilities | 72,862 | 32,451 | 249,325 | 354,638 |
| **Noncurrent Liabilities** | | | | |
| Net Pension Liability | 397,301 | 397,301 | 279,185 | 1,073,787 |
| Total Liabilities | 470,163 | 429,752 | 528,510 | 1,428,425 |
| **Deferred Inflows of Resources** | 30,444 | 30,444 | 21,393 | 82,281 |
| Total Liabilities and Deferred Inflows of Resources | **500,607** | **460,196** | **549,903** | **1,510,706** |
| **NET POSITION** | | | | |
| Invested in Capital Assets, | | | | |
| Net of Related Debt | 3,009,157 | 2,230,821 | 7,913,336 | 13,153,314 |
| Designated - Pension | (397,301) | (397,301) | (279,185) | (1,073,787) |
| Unrestricted | 235,169 | 526,553 | 3,043,569 | 3,805,291 |
| Total Net Position | **$ 2,847,025** | **$ 2,360,073** | **$ 10,677,720** | **$ 15,884,818** |

**RESORT IMPROVEMENT DISTRICT NO. 1**
**Combining Statement of Revenues, Expenses, and Changes in Fund Net Position- Proprietary Funds**
**For the Year Ended June 30, 2020**

| | Electric Utility | Sewer Utility | Water Utility | Total |
|---|---|---|---|---|
| **OPERATING REVENUES** | | | | |
| Utility Service Charges | $ 1,374,567 | $ 272,030 | $ 350,235 | $ 1,996,832 |
| Capital Facility Charges | 77,304 | - | - | 77,304 |
| Special Assessments | - | - | 184,940 | 184,940 |
| Connection, Extension and Other Fees | 58,445 | 34,119 | 80,519 | 173,083 |
| Other Operational Income | 7,395 | - | - | 7,395 |
| Total Operating Income | 1,517,711 | 306,149 | 615,694 | 2,439,554 |
| **OPERATING EXPENSES** | | | | |
| Human Resources | 943,388 | 248,203 | 300,739 | 1,492,330 |
| Materials, Supplies and Services | 288,863 | 128,637 | 90,190 | 507,690 |
| Power | 444,477 | - | - | 444,477 |
| Insurance | 21,451 | 23,402 | 15,601 | 60,454 |
| Depreciation | 295,413 | 202,108 | 243,972 | 741,493 |
| Allocated Administrative Costs | 90,678 | 22,061 | 79,997 | 192,736 |
| Total Operating Expenses | 2,084,270 | 624,411 | 730,499 | 3,439,180 |
| Operating Income (Loss) | (566,559) | (318,262) | (114,805) | (999,626) |
| **NON-OPERATING REVENUES (EXPENSES)** | | | | |
| Property Taxes | 31,861 | 167,449 | 65,677 | 264,987 |
| Grant Revenue | - | - | 1,972,231 | 1,972,231 |
| Transfers In | 145,800 | 59,147 | 29,410 | 234,357 |
| Interest Expense | - | - | (32,086) | (32,086) |
| Total Non-Operating Revenues | 177,661 | 226,596 | 2,035,232 | 2,439,489 |
| Net Income (Loss) | (388,898) | (91,666) | 1,920,427 | 1,439,863 |
| **TOTAL NET POSITION - Beginning** | 3,235,923 | 2,451,739 | 8,757,293 | 14,444,955 |
| **TOTAL NET POSITION - Ending** | **$ 2,847,025** | **$ 2,360,073** | **$ 10,677,720** | **$ 15,884,818** |

**RESORT IMPROVEMENT DISTRICT NO. 1**
**Combining Statement of Cash Flows - Proprietary Funds**
**For the Year Ended June 30, 2020**

| | Electric Utility | Sewer Utility | Water Utility | Total |
|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Receipts from Customers and Users | $ 1,434,252 | $ 345,250 | $ 631,913 | $ 2,411,415 |
| Payments to Suppliers | (893,024) | (172,258) | 50,706 | (1,014,576) |
| Payments to Employees and for Benefits | (905,033) | (213,342) | (281,208) | (1,399,583) |
| Net Cash Provided (Used) by Operating Activities | (363,805) | (40,350) | 401,411 | (2,744) |
| **CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES** | | | | |
| Other Non-Operating Revenues | 31,861 | 167,449 | 65,677 | 264,987 |
| Operating Transfers In | 145,800 | 59,147 | 29,410 | 234,357 |
| Interest Expense | - | - | (32,086) | (32,086) |
| Net Cash Provided by Non-Capital Financing Activities | 177,661 | 226,596 | 63,001 | 467,258 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | | | |
| Acquisition of Fixed Assets | (152,782) | (56,807) | (2,275,343) | (2,484,932) |
| Capital Grants | - | - | 1,588,247 | 1,588,247 |
| Proceeds from Loan | - | - | 2,496,774 | 2,496,774 |
| Principal payments on Loan | - | - | (2,291,915) | (2,291,915) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (152,782) | (56,807) | (482,237) | (691,826) |
| **CASH FLOWS FROM INVESTMENT ACTIVITIES** | | | | |
| Interest Received | - | - | - | - |
| Net Cash Provided by Investing Activities | - | - | - | - |
| **INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | (338,926) | 129,439 | (17,825) | (227,312) |
| **CASH AND CASH EQUIVALENTS Beginning of Year** | 299,483 | 307,477 | 2,469,359 | 3,076,319 |
| **CASH AND CASH EQUIVALENTS End of Year** | **$ (39,443)** | **$ 436,916** | **$ 2,451,534** | **$ 2,849,007** |

**RESORT IMPROVEMENT DISTRICT NO. 1**
**Combining Statement of Cash Flows - Proprietary Funds**
**For the Year Ended June 30, 2020**

| | Electric Utility | Sewer Utility | Water Utility | Total |
|---|---|---|---|---|
| **RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES** | | | | |
| Operating Income (Loss) | $ (566,559) | $ (318,262) | $ (114,805) | $ (999,626) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities: | | | | |
| Current Period Adjustment for Pension | 35,372 | 35,373 | 24,560 | 95,305 |
| Depreciation | 295,413 | 202,108 | 243,972 | 741,493 |
| Changes in Assets and Liabilities: | | | | |
| Receivables | (83,321) | 38,504 | 17,375 | (27,442) |
| Grant Receivable | - | - | 259,763 | 259,763 |
| Inventory | (4,359) | 560 | 2,600 | (1,199) |
| Accounts Payable | (43,196) | 1,282 | (25,869) | (67,783) |
| Deposits | (138) | 597 | (1,156) | (697) |
| Accrued Liabilities | 2,983 | (512) | (5,029) | (2,558) |
| **Net Cash Provided (Used) By Operating Activities** | **$ (363,805)** | **$ (40,350)** | **$ 401,411** | **$ (2,744)** |

## REQUIRED SUPPLEMENTARY INFORMATION

**RESORT IMPROVEMENT DISTRICT NO. 1**
**SCHEDULE OF CONTRIBUTIONS FOR THE LAST TEN YEARS ***
**CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM**
**June 30, 2020**

| | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 |
|---|---|---|---|---|---|---|
| Employer Contributions | $ 75,719 | $ 66,739 | $ 56,697 | $ 53,268 | $ 44,589 | $ 64,178 |
| Covered-employee payroll | $ 819,441 | $ 839,242 | $ 807,760 | $ 627,076 | $ 636,816 | $ 731,798 |
| Contributions as a percentage of covered-employee payroll | 9.24% | 7.95% | 7.02% | 8.49% | 7.00% | 8.77% |
| **NOTES TO SCHEDULE:** | | | | | | |
| Actuarial valuation date | 6/30/2018 | 6/30/2017 | 6/30/2016 | 6/30/2015 | 6/30/2014 | 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 | 2.50% |
| Salary increases | Varies by entry age and service |
| Investment rate of return | 7.15%, 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

Plan's covered employee payroll revised to follow funding history schedule on actuarial valuation reports.

* - 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, 2020**

| | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 |
|---|---|---|---|---|---|---|
| Plan's proportion of the net pension liability | 0.025860% | 0.027870% | 0.027870% | 0.027520% | 0.024326% | 0.031083% |
| Plan's proportionate share of the net pension liability | $ 1,073,787 | $ 983,398 | $ 1,029,824 | $ 885,008 | $ 667,367 | $ 768,202 |
| Plan's covered-employee payroll | $ 819,441 | $ 839,242 | $ 807,760 | $ 627,076 | $ 636,816 | $ 731,798 |
| Plan's proportionate share of the net pension liability as percentage of covered-employee payroll | 131.04% | 117.18% | 127.49% | 141.13% | 104.80% | 104.97% |
| CalPERS State-wide fiduciary net position | $ 13,979,687,268 | $ 13,122,440,092 | $ 12,074,499,781 | $ 10,923,476,287 | $ 10,896,039,068 | $ 10,639,461,174 |
| CalPERS State-wide total pension liability | $ 17,984,188,264 | $ 16,891,153,209 | $ 16,016,547,402 | $ 14,397,353,530 | $ 13,639,503,084 | $ 13,110,948,452 |
| Plan's proportionate share of the fiduciary net position as a percentage of the total pension liability | 79.09% | 79.74% | 76.93% | 77.66% | 82.30% | 83.60% |

**NOTES TO SCHEDULE:**

Benefit changes: There were no changes to benefit terms.

Changes in assumptions: None

Plan's covered employee payroll revised to follow funding history schedule on actuarial valuation reports for both Miscellaneous and Pepra.

* - Fiscal year 2015 was the first year of implementation