

**RESORT IMPROVEMENT DISTRICT NO. 1**  
**FINANCIAL STATEMENTS**  
**June 30, 2021**

**RESORT IMPROVEMENT DISTRICT**

**PRINCIPAL OFFICIALS**

**JUNE 30, 2021**

**BOARD OF DIRECTORS**

<u>Name</u>	<u>Office</u>
Michael Schad	President
Susan Fox	Vice - President
David Sommer	Director
Jack Hargrave	Director
Celeste Myers	Director

**GENERAL MANAGER**

Justin R. Robbins

# RESORT IMPROVEMENT DISTRICT NO. 1

## FINANCIAL STATEMENTS

June 30, 2021

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**RESORT IMPROVEMENT DISTRICT NO. 1**

**FINANCIAL STATEMENTS**

**June 30, 2021**

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# ANDERSON, LUCAS, SOMERVILLE & BORGES, LLP

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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, 2021, 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.

Board of Directors  
Resort Improvement District No. 1

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, 2021, 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.

### **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. 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 budgetary comparison schedule and schedule of contributions and schedule of proportionate share of CalPERS 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.

*Anderson, Lucas, Somerville, & Borges*

**ANDERSON, LUCAS, SOMERVILLE & BORGES, LLP**

September 24, 2023  
Fortuna, California

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**RESORT IMPROVEMENT DISTRICT #1**  
**Statement of Net Position**  
**June 30, 2021**

Exhibit A

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Investments	\$ 469,157	\$ 3,862,060	\$ 4,331,217
Accounts Receivable, Net of Allowance for Doubtful Accounts \$2,198	22,385	202,370	224,755
Inventory of Materials and Supplies	-	163,257	163,257
<b>Total Current Assets</b>	<b>491,542</b>	<b>4,227,687</b>	<b>4,719,229</b>
<b>Noncurrent Assets</b>			
Fixed Assets			
Land	279,340	105,525	384,865
System Assets	-	27,280,311	27,280,311
General Plant and Equipment	3,351,416	-	3,351,416
Accumulated Depreciation	(1,458,184)	(14,934,193)	(16,392,377)
<b>Total Noncurrent Assets</b>	<b>2,172,572</b>	<b>12,451,643</b>	<b>14,624,215</b>
<b>Total Assets</b>	<b>2,664,114</b>	<b>16,679,330</b>	<b>19,343,444</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
	-	218,473	218,473
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 2,664,114</b>	<b>\$ 16,897,803</b>	<b>\$ 19,561,917</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	34,369	85,038	119,407
Accrued Payroll Liabilities	2,952	6,669	9,621
Compensated Absences	21,760	63,322	85,082
Deferred Grant Revenue	74,471	204,047	278,518
Customer Deposits	-	16,819	16,819
<b>Total Current Liabilities</b>	<b>133,552</b>	<b>375,895</b>	<b>509,447</b>
<b>Noncurrent Liabilities</b>			
Net Pension Liability	-	1,166,805	1,166,805
<b>Total Noncurrent Liabilities</b>	<b>-</b>	<b>1,166,805</b>	<b>1,166,805</b>
<b>Total Liabilities</b>	<b>133,552</b>	<b>1,542,700</b>	<b>1,676,252</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
	-	206,117	206,117
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>133,552</b>	<b>1,748,817</b>	<b>1,882,369</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	2,172,572	12,451,643	14,624,215
Unrestricted	357,990	2,697,343	3,055,333
<b>Total Net Position</b>	<b>2,530,562</b>	<b>15,148,986</b>	<b>17,679,548</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 2,664,114</b>	<b>\$ 16,897,803</b>	<b>\$ 19,561,917</b>

The accompanying notes are an integral part of these financial statements



EXHIBIT B

RESORT IMPROVEMENT DISTRICT #1  
Statement of Activities  
For the Year Ended June 30, 2021

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Other Program Revenue	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government</b>							
Governmental Activities:							
General and Administrative	\$ 661,217	8,629	-	-	(652,588)	-	(652,588)
Fire Protection	315,744	-	-	-	(315,744)	-	(315,744)
Community Center	161,445	10,000	-	-	(151,445)	-	(151,445)
Total Governmental Activities	1,138,406	18,629	-	-	(1,119,777)	-	(1,119,777)
Business-type Activities:							
Water Services	783,556	-	69,704	-	-	(325,224)	(325,224)
Sewer Services	696,866	-	47,854	-	-	(376,713)	(376,713)
Electric Services	1,990,595	-	69,974	91,443	-	(269,682)	(269,682)
Total Business-Type Activities	3,471,017	-	187,532	91,443	-	(971,619)	(971,619)
<b>Total District Activities</b>	\$ 4,609,423	\$ 18,629	\$ 187,532	\$ 91,443	(1,119,777)	(971,619)	(2,091,396)
General Revenues:							
Property Taxes and Assessments					1,150,490	235,787	1,386,277
Miscellaneous					144,438	-	144,438
Investment Earnings					25,759	-	25,759
Total General Revenues and Transfers					1,320,687	235,787	1,556,474
Change in Net Position					200,910	(735,832)	(534,922)
Net Position - Beginning of Year					2,329,652	15,884,818	18,214,470
Net Position - End of Year					\$ 2,530,562	\$ 15,148,986	\$ 17,679,548

The accompanying notes are an integral part of these financial statements

**FUND FINANCIAL STATEMENTS**

**RESORT IMPROVEMENT DISTRICT #1**  
**Balance Sheet - Governmental Funds**  
**June 30, 2021**

**ASSETS**

Cash and Cash Equivalents	\$ 469,157
Accounts Receivable, Net of Allowance	22,385
Grant Receivable	-
Prepaid Expenses	-
	<hr/>
Total Assets	<b><u><u>\$ 491,542</u></u></b>

**LIABILITIES**

Accounts Payable	34,369
Payroll and Accrued Liabilities	24,712
Deferred Revenue	74,471
	<hr/>
Total Liabilities	<b><u>\$ 133,552</u></b>

**FUND BALANCE**

Fund Balance - Restricted	-
Fund Balance - Unassigned	357,990
	<hr/>
Total Fund Balance	<b><u>357,990</u></b>
	<hr/>
Total Liabilities and Fund Balance	<b><u><u>\$ 491,542</u></u></b>

The accompanying notes are an integral part of these financial statements

**RESORT IMPROVEMENT DISTRICT #1**  
**Statement of Revenues, Expenditures and Changes in Fund Balance -**  
**Governmental Funds**  
**For the Year Ended June 30, 2021**

**OPERATING REVENUES**

Property Taxes and Assessments	\$ 1,150,490
Interest Income	25,759
Use of Money and Property	75,906
Grants	18,629
Late Fees	62,075
Other	6,457
	<hr/>
Total Operating Revenue	1,339,316

**OPERATING EXPENDITURES**

Current Expenditures:	
General and Administrative	596,880
Fire Protection	210,414
Community Center	122,677
Grant Expenditures	13,543
Capital Expenditures:	
Capital Outlay	37,812
Equipment	-
	<hr/>
Total Operating Expenditures	981,326

<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<hr/> 357,990
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<b>NET CHANGE IN GOVERNMENTAL FUND BALANCE</b>	357,990
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**FUND BALANCE**

Beginning of Year	<hr/> -
End of Year	<hr/> <b>\$ 357,990</b> <hr/>

**RESORT IMPROVEMENT DISTRICT #1**  
**Reconciliation of Balance Sheet - Governmental Funds**  
**to the Statement of Net Position**  
**June 30, 2021**

Total Fund Balances - Total Governmental Funds (Exhibit C) \$ 357,990

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

Capital assets used in governmental activities are not current financial resources and , therefore, are not reported in the governmental funds balance. 2,172,572  
(Net of accumulated depreciation)

Net Position - Governmental Activities (Exhibit A) \$ 2,530,562

**RESORT IMPROVEMENT DISTRICT #1**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in**  
**Fund Balances - Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2021**

Net Changes in Governmental Fund Balance (Exhibit D) \$ 357,990

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

Capital outlays are reported in a governmental fund as an expenditure. Conversely, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current periods, these amounts are as follows:

Capital asset purchases capitalized	37,812
Depreciation Expense	<u>(194,892)</u>

Change in Net Position - Governmental Activities (Exhibit B) \$ 200,910

**RESORT IMPROVEMENT DISTRICT #1**  
**Reconciliation of Governmental Balance Sheet to Government-wide**  
**Statement of Net Position - Governmental Activities**  
**June 30, 2021**

	Governmental Funds Balance Sheet	Reclassifications	Changes in GAAP	Statement of Net Position
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Investments	\$ 469,157	\$ -	\$ -	\$ 469,157
Accounts Receivable, Net of Allowance for Doubtful Accounts \$2,198	22,385	-	-	22,385
Inventory of Materials and Supplies	-	-	-	-
<b>Total Current Assets</b>	<u>491,542</u>	<u>-</u>	<u>-</u>	<u>491,542</u>
<b>Noncurrent Assets</b>				
Fixed Assets				
Land	-	-	279,340	279,340
General Plant and Equipment	-	-	3,351,416	3,351,416
Accumulated Depreciation	-	-	(1,458,184)	(1,458,184)
<b>Total Noncurrent Assets</b>	<u>-</u>	<u>-</u>	<u>2,172,572</u>	<u>2,172,572</u>
<b>Total Assets</b>	<u>491,542</u>	<u>-</u>	<u>2,172,572</u>	<u>2,664,114</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 491,542</u>	<u>\$ -</u>	<u>\$ 2,172,572</u>	<u>\$ 2,664,114</u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts Payable	34,369	-	-	34,369
Accrued Payroll Liabilities	2,952	-	-	2,952
Compensated Absences	21,760	-	-	21,760
Deferred Grant Revenue	74,471	-	-	74,471
Customer Deposits	-	-	-	-
<b>Total Current Liabilities</b>	<u>133,552</u>	<u>-</u>	<u>-</u>	<u>133,552</u>
<b>Noncurrent Liabilities</b>				
Net Pension Liability	-	-	-	-
<b>Total Noncurrent Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Liabilities</b>	<u>133,552</u>	<u>-</u>	<u>-</u>	<u>133,552</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>133,552</u>	<u>-</u>	<u>-</u>	<u>133,552</u>
<b>NET POSITION</b>				
Fund balances:				
Unassigned, reported in General Fund	357,990	(357,990)	-	-
Net Investment in Capital Assets	-	-	2,172,572	2,172,572
Unrestricted	-	357,990	-	357,990
<b>Total Net Position</b>	<u>357,990</u>	<u>-</u>	<u>2,172,572</u>	<u>2,530,562</u>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<u>\$ 491,542</u>	<u>\$ -</u>	<u>\$ 2,172,572</u>	<u>\$ 2,664,114</u>

**RESORT IMPROVEMENT DISTRICT #1**  
**Reconciliation of Fund Basis Expenditures to Government-wide Statement of Activities**  
**June 30, 2021**

Functions/Programs	Fund Based Totals	Depreciation	Capital Assets Additions, Retirements and Adjustments	Government-wide Totals
<b>Governmental Activities:</b>				
General and Administrative	\$ 596,880	\$ 60,908	\$ 3,428	\$ 661,216
Fire Protection	210,414	95,215	10,115	315,744
Community Center	122,677	38,769		161,446
Grant Expenditures	13,543	-	(13,543)	-
Capital Outlay	37,812	-	(37,812)	-
	<u>\$ 981,326</u>	<u>\$ 194,892</u>	<u>\$ (37,812)</u>	<u>\$ 1,138,406</u>



**RESORT IMPROVEMENT DISTRICT #1**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2021**

	<u>Electric Utility</u>	<u>Sewer Utility</u>	<u>Water Utility</u>	<u>Total</u>
<b>ASSETS</b>				
Current Assets				
Cash and Cash Equivalents	\$ 448,526	\$ 394,703	\$ 3,018,831	\$ 3,862,060
Accounts Receivable, Net of allowance for doubtful accounts of \$1054, \$525, \$619	139,518	26,346	36,506	202,370
Grant Receivable	-	-	-	-
Inventory of Materials and Supplies	110,265	2,113	50,879	163,257
Total Current Assets	<u>698,309</u>	<u>423,162</u>	<u>3,106,216</u>	<u>4,227,687</u>
Noncurrent Assets				
Land	105,525	-	-	105,525
Fixed Assets	8,374,480	7,341,233	11,564,598	27,280,311
Accumulated Depreciation	<u>(5,763,470)</u>	<u>(5,300,959)</u>	<u>(3,869,764)</u>	<u>(14,934,193)</u>
Total Noncurrent Assets	<u>2,716,535</u>	<u>2,040,274</u>	<u>7,694,834</u>	<u>12,451,643</u>
Total Assets	<u>3,414,844</u>	<u>2,463,436</u>	<u>10,801,050</u>	<u>16,679,330</u>
Deferred Outflows of Resources	<u>57,599</u>	<u>104,786</u>	<u>56,088</u>	<u>218,473</u>
Total Assets and Deferred Outflows of Resources	<u><u>3,472,443</u></u>	<u><u>2,568,222</u></u>	<u><u>10,857,138</u></u>	<u><u>16,897,803</u></u>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts Payable	50,381	3,406	31,251	85,038
Accrued Payroll Liabilities	34,474	13,042	22,475	69,991
Customer Deposits	6,715	3,829	6,275	16,819
Deferred Grant Revenue	204,047	-	-	204,047
Bridge Loan	-	-	-	-
Total Current Liabilities	<u>295,617</u>	<u>20,277</u>	<u>60,001</u>	<u>375,895</u>
Noncurrent Liabilities				
Net Pension Liability	<u>452,131</u>	<u>410,674</u>	<u>304,000</u>	<u>1,166,805</u>
Total Liabilities	<u>747,748</u>	<u>430,951</u>	<u>364,001</u>	<u>1,542,700</u>
Deferred Inflows of Resources	<u>103,439</u>	<u>48,248</u>	<u>54,430</u>	<u>206,117</u>
Total Liabilities and Deferred Inflows of Resources	<u><u>851,187</u></u>	<u><u>479,199</u></u>	<u><u>418,431</u></u>	<u><u>1,748,817</u></u>
<b>NET POSITION</b>				
Invested in Capital Assets, Net of Related Debt	2,716,535	2,040,274	7,694,834	12,451,643
Unrestricted	<u>(95,279)</u>	<u>48,749</u>	<u>2,743,873</u>	<u>2,697,343</u>
Total Net Position	<u><u>\$ 2,621,256</u></u>	<u><u>\$ 2,089,023</u></u>	<u><u>\$ 10,438,707</u></u>	<u><u>\$ 15,148,986</u></u>

**RESORT IMPROVEMENT DISTRICT NO. 1**  
**Statement of Revenues, Expenses, and Changes**  
**in Fund Net Position- Proprietary Funds**  
**For the Year Ended June 30, 2021**

	<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	\$ 1,559,496	\$ 272,299	\$ 388,628	\$ 2,220,423
Capital Facility Charges	69,974	47,854	69,704	187,532
Other	-	-	-	-
Total Operating Revenues	<u>1,629,470</u>	<u>320,153</u>	<u>458,332</u>	<u>2,407,955</u>
<b>OPERATING EXPENSES</b>				
Human Resources	755,029	219,469	358,087	1,332,585
Materials, Supplies and Services	308,882	252,250	128,804	689,936
Power	517,630	-	-	517,630
Insurance	19,493	21,265	14,177	54,935
Depreciation	298,118	203,882	282,488	784,488
Allocated Administrative Costs	-	-	-	-
Total Operating Expenses	<u>1,899,152</u>	<u>696,866</u>	<u>783,556</u>	<u>3,379,574</u>
Operating Income (Loss)	<u>(269,682)</u>	<u>(376,713)</u>	<u>(325,224)</u>	<u>(971,619)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Property Taxes	43,913	105,663	86,211	235,787
Grant Revenue	91,443	-	-	91,443
Grant Expenditures	(91,443)	-	-	(91,443)
Transfers Out	-	-	-	-
Total Non-Operating Revenues	<u>43,913</u>	<u>105,663</u>	<u>86,211</u>	<u>235,787</u>
Net Income (Loss)	<u>(225,769)</u>	<u>(271,050)</u>	<u>(239,013)</u>	<u>(735,832)</u>
<b>TOTAL NET POSITION - Beginning</b>	<u>2,847,025</u>	<u>2,360,073</u>	<u>10,677,720</u>	<u>15,884,818</u>
<b>TOTAL NET POSITION - Ending</b>	<u>\$ 2,621,256</u>	<u>\$ 2,089,023</u>	<u>\$ 10,438,707</u>	<u>\$ 15,148,986</u>

**RESORT IMPROVEMENT DISTRICT #1**  
**Statement Of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2021**

	<u>Electric Fund</u>	<u>Sewer Utility</u>	<u>Water Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Customers and Users	\$ 1,637,360	\$ 317,918	\$ 459,579	\$ 2,414,857
Cash Paid for Goods and Services	(819,732)	(281,220)	(118,031)	(1,218,983)
Cash Paid for Employees and Related Costs	(572,122)	(171,240)	(268,225)	(1,011,587)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>245,506</u>	<u>(134,542)</u>	<u>73,323</u>	<u>184,287</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Receipts From Property Taxes and Assessments	43,913	105,663	86,211	235,787
Short-Term Advances To (From) Other Funds	-	-	-	-
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<u>43,913</u>	<u>105,663</u>	<u>86,211</u>	<u>235,787</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of Capital Assets	(5,497)	(13,334)	(63,986)	(82,817)
Grant Proceeds deferred	204,047	-	-	204,047
Proceeds from Grants	91,443	-	679,456	770,899
Grant Expenditures	(91,443)	-	-	(91,443)
Principal Payments on Loan	-	-	(207,707)	(207,707)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>198,550</u>	<u>(13,334)</u>	<u>407,763</u>	<u>592,979</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	487,969	(42,213)	567,297	1,013,053
Cash and Cash Equivalents - Beginning of Year	(39,443)	436,916	2,451,534	2,849,007
Cash and Cash Equivalents - End of Year	<u>\$ 448,526</u>	<u>\$ 394,703</u>	<u>\$ 3,018,831</u>	<u>\$ 3,862,060</u>

**RESORT IMPROVEMENT DISTRICT #1**  
**Statement Of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2021**

	<u>Electric Fund</u>	<u>Sewer Utility</u>	<u>Water Fund</u>	<u>Total</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ (269,682)	\$ (376,713)	\$ (325,224)	\$ (971,619)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities:				
Depreciation	298,119	203,881	282,488	784,488
Current Period Adjustment for Pension	190,233	46,398	86,095	322,726
(Increase) Decrease in:				
Accounts Receivable	17,861	4,066	11,581	33,508
Inventory	(9,733)	-	-	(9,733)
Increase (Decrease) in:				
Accounts Payable	36,006	(7,705)	24,950	53,251
Accrued Liabilities	(7,327)	1,832	3,767	(1,728)
Customer Deposits	(9,971)	(6,301)	(10,334)	(26,606)
Total Adjustments	<u>515,188</u>	<u>242,171</u>	<u>398,547</u>	<u>1,155,906</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>\$245,506</u></b>	<b><u>(\$134,542)</u></b>	<b><u>\$73,323</u></b>	<b><u>\$184,287</u></b>

**NOTES TO THE FINANCIAL STATEMENTS**

**RESORT IMPROVEMENT DISTRICT NO. 1**  
**Notes to the Financial Statements**  
**June 30, 2021**

**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 District have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. On June 15, 1987, GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The District applies all GASB pronouncements to its activities.

In addition, the District applies all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) issued after November 30, 1989, unless they conflict with or contradict GASB pronouncements. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

**Financial 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, 2021. 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, 2021**

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

**Basis of Presentation**

Government-wide Financial 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 Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/ expenses of that individual governmental fund are at least ten percent of the corresponding total for all funds of that category or type; and,
- b. Total assets, liabilities, revenues, or expenditures/ expenses of the individual governmental funds are at least five percent of the corresponding total for all governmental funds combined.

**RESORT IMPROVEMENT DISTRICT NO. 1**

**Notes to the Financial Statements**

**June 30, 2021**

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

**Basis of Presentation, Continued**

The funds of the financial reporting entity are described below:

**Governmental Funds**

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**

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, 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, and sewer utility.

**Measurement Focus**

Measurement focus is a term used to describe which transactions are recorded within the various financial statements.

On the government-wide Statement of Net Position and the Statement of Activities, governmental and business-type activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as Net Position, which serves as an indicator of financial position.

In the fund financial statements, the "current financial resources" measurement focus is used for governmental funds. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

The enterprise funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. Enterprise fund equity is classified as net position.

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.



**RESORT IMPROVEMENT DISTRICT NO. 1**  
**Notes to the Financial Statements**  
**June 30, 2021**

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

**Basis of Presentation, Continued**

**Basis of Accounting**

In the government-wide Statement of Net Position and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

The enterprise funds and agency funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used. Operating revenues in the fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

**Assets, Liabilities, and Equity**

**Cash Deposits and Investments**

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, 2021**

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

**Basis of Accounting, Continued**

**Capital 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.

**Compensated Absences**

The District allows employees to accumulate vacation time limited to one year, which is paid in cash upon termination. Sick leave may accumulate 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 time over one year due to limited staff and the busy workload.

**Equity Classification**

**Government-Wide Statements**

Equity is classified as net position and is displayed in three components:

- *Net investment in capital assets* – consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted net position* – consists of net position with constraints placed on the use by external groups such as creditors, grantors, contributors, or by laws or regulations of other governments or law through constitutional provisions or enabling legislation.
- *Unrestricted net position* – all other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

**RESORT IMPROVEMENT DISTRICT NO. 1**  
**Notes to the Financial Statements**  
**June 30, 2021**

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

**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.

**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 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.

# RESORT IMPROVEMENT DISTRICT NO. 1

## Notes to the Financial Statements

June 30, 2021

### 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 non-routine 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.

#### **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.

#### **Reclassifications**

Certain amounts have been reclassified to provide for comparable results on a year-to-year basis.

**RESORT IMPROVEMENT DISTRICT NO. 1**  
**Notes to the Financial Statements**  
**June 30, 2021**

**NOTE 2 - CASH AND INVESTMENTS**

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, 2021:

Cash equivalents and investments pooled

	Not rated	Fair Value
Cash in bank	\$ 1,199,930	\$ 1,199,930
Cash on hand	95	95
Humboldt County Treasury	2,734,015	2,734,015
California Local Agency Investment Fund (LAIF)	397,177	397,177
Total pooled items	<u>\$ 4,331,217</u>	<u>\$ 4,331,217</u>

Presentation in Statement of Net Position

Cash and cash equivalents - Government activities	\$ 469,157
Cash and cash equivalents - Business -type activities	<u>3,862,060</u>
	<u>\$ 4,331,217</u>

**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, 2021, approximated fair value of \$2,734,015 and \$397,177, 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.

## RESORT IMPROVEMENT DISTRICT NO. 1

### Notes to the Financial Statements

June 30, 2021

#### NOTE 2 - CASH AND INVESTMENTS, Continued

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 evidence 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

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.

## RESORT IMPROVEMENT DISTRICT NO. 1

### Notes to the Financial Statements

June 30, 2021

#### NOTE 2 - CASH AND INVESTMENTS, Continued

##### Investments, Continued

The District participates in an investment pool managed by the State of California known as the Local Agency Investment Fund (LAIF) which has invested 2.31% 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.

*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, 2021, the carrying amount of the District's deposits was \$1,199,930 and the balances in financial institutions were \$1,199,930. 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 of \$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, 2021, the total fair value amount invested by all public agencies in LAIF is \$37.1 billion of which the District's fair value amount is \$397,177. Of the total invested, 2.31% 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.

**RESORT IMPROVEMENT DISTRICT NO. 1**

**Notes to the Financial Statements**

**June 30, 2021**

**NOTE 2 - CASH AND INVESTMENTS, Continued**

**Investments in External Investment Pools, Continued**

**Investment in Humboldt County Treasury**

The District's investments with the County at June 30, 2021, 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) depend 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, 2021, the District also had \$2,734,015 invested directly in the County investment pool. The County portfolio summary at June 30, 2021 is as follows:

<u>Investments</u>	<u>Market Value</u>	<u>Book Value</u>	<u>Percentage of Portfolio</u>
Certificates of Deposit	\$ 7,111,000	\$ 7,111,000	1.58
Money Markets	118,876,611	118,876,611	26.45
Money Markets	16,276,855	16,078,954	3.58
Federal Agency Coupon Securities	238,120,888	129,711,070	52.84
Treasury Coupon Securities	60,971,315	60,298,613	13.42
Municipal Bonds	9,914,665	9,577,494	2.13
	<b>\$451,271,334</b>	<b>\$ 341,653,742</b>	

Average Daily Balance - \$437,246,270

Effective Rate of Return - 1.02%

Average Days to Maturity - 800



**RESORT IMPROVEMENT DISTRICT NO. 1**  
**Notes to the Financial Statements**  
**June 30, 2021**

**NOTE 3 - ACCOUNTS RECEIVABLE**

Accounts Receivable consisted of the following at June 30, 2021:

	Governmental Activities	Business-type Activities	Total
Accounts	\$ 22,385	\$ 204,568	\$ 226,953
Less: Allowance for Uncollectible	-	(2,198)	(2,198)
<b>Total Accounts Receivable</b>	<b>\$ 22,385</b>	<b>\$ 202,370</b>	<b>\$ 224,755</b>

**NOTE 4 - CAPITAL ASSETS**

Governmental capital asset activity for the year ended June 30, 2021, was as follows:

	June 30, 2020	Additions	Deletions	June 30, 2021
Non depreciable assets				
Land and Land Rights	\$ 279,340	\$ -	\$ -	\$ 279,340
Total non depreciable assets	279,340	-	-	279,340
Depreciable assets				
Airport Improvements	986,334	-	-	986,334
Fire Equipment	1,138,763	36,260	-	1,175,023
Administration	293,640	1,552	-	295,192
Parks	894,867	-	-	894,867
Construction in Progress	-	-	-	-
Total depreciable assets	\$ 3,313,604	\$ 37,812	\$ -	\$ 3,351,416
Accumulated Depreciation	(1,263,292)	(194,892)	-	(1,458,184)
Net Depreciable Assets	\$ 2,050,312	\$ (157,080)	-	\$ 1,893,232
Total Net Capital Assets	\$ 2,329,652	\$ (157,080)	\$ -	\$ 2,172,572

**RESORT IMPROVEMENT DISTRICT NO. 1**  
**Notes to the Financial Statements**  
**June 30, 2021**

**NOTE 4 - CAPITAL ASSETS, Continued**

Business-type capital asset activity for the year ended June 30, 2021 was as follows:

	<u>June 30, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2021</u>
Non depreciable assets				
Land and Land Rights (Electric)	\$ 105,525	\$ -	\$ -	\$ 105,525
Total non depreciable assets	105,525	-	-	105,525
Depreciable assets				
Electric	8,368,983	5,496	-	8,374,479
Sewer	7,327,899	13,335	-	7,341,234
Water	11,500,612	63,986	-	11,564,598
Construction in Progress	-	-	-	-
Total depreciable assets	\$ 27,197,494	\$ 82,817	\$ -	\$ 27,280,311
Accumulated Depreciation	(14,149,705)	(784,488)	-	(14,934,193)
Net Depreciable Assets	\$ 13,047,789	\$ (701,671)	-	\$ 12,346,118
Total Net Capital Assets	\$ 13,153,314	\$ (701,671)	\$ -	\$ 12,451,643

Depreciation expense for Business-type capital assets was charged to functions and programs based on their usage of related assets. The amount allocated to each function are as follows:

<u>Business-type Activities</u>	<u>Depreciation</u>
Electric	\$ 298,118
Sewer	203,882
Water	282,488
	<u>\$ 784,488</u>

**NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts Payable and accrued liabilities consisted of the following at June 30, 2021:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts Payable	\$ 34,369	\$ 85,038	\$ 119,407
Payroll and Accrued Liabilities	2,952	6,669	9,621
Deposits Payable	-	16,819	16,819
Compensated Absences	21,760	63,322	85,082
Deferred Grant Revenue	74,471	204,047	278,518
	<u>\$ 133,552</u>	<u>\$ 375,895</u>	<u>\$ 509,447</u>

## RESORT IMPROVEMENT DISTRICT NO. 1

### Notes to the Financial Statements

June 30, 2021

#### 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.

#### 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, 2021 and 2020 were \$84,185 and \$75,718, 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, 2021 and 2020 were \$72,989 and \$90,993, respectively. As of June 30, 2021, and 2020, the District reported a net pension liability in the amount of \$1,166,805 and \$1,073,787, 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, 2019 rolled forward to June 30, 2020 and June 30, 2019 measurement dates, using standard update procedures.

**RESORT IMPROVEMENT DISTRICT NO. 1**  
**Notes to the Financial Statements**  
**June 30, 2021**

**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 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	\$ 84,185	\$ -
Differences between expected and actual experience	60,129	-
Differences between the employer's contributions and the employer's proportionate share of contributions	-	197,795
Changes of assumptions	-	8,322
Change in employer's proportion	39,497	-
Net difference between projected and actual earnings on plan investments	34,662	-
Total	<u>\$ 218,473</u>	<u>\$ 206,117</u>

\$84,185 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, 2022. 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. 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
2022	\$ (57,309)
2023	(23,621)
2024	(7,493)
2025	16,594
2026	0
Total	<u>\$ (71,829)</u>

**RESORT IMPROVEMENT DISTRICT NO. 1**

**Notes to the Financial Statements**

**June 30, 2021**

**NOTE 7 - RETIREMENT PLAN, Continued**

**Actuarial Assumptions**

For the measurement period ended June 30, 2020 (the measurement date), the total pension liability for the Plan was determined by rolling forward the June 30, 2019 total pension liability.

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

**Sensitivity of the Proportionate Share of the Net Pension Liability**

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%	Current Discount	Discount Rate plus 1%
	<u>6.15%</u>	<u>7.15%</u>	<u>8.15%</u>
Net pension liability	\$1,875,580	\$1,166,805	\$581,167

**RESORT IMPROVEMENT DISTRICT NO. 1**

**Notes to the Financial Statements**

**June 30, 2021**

**NOTE 7 - RETIREMENT PLAN, Continued**

**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.

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.

<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	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%
	<u>100%</u>		

(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, 2021, the District reported no amount payable for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2021. The District also offers a Supplemental Income Plan (SIP) 457 Plan to its employees. Contributions received in 2021 total \$65,405. Beginning September 30, 2020, the District also started a PEPRSA Safety Fire Plan. Employer contributions amounted to \$5,813 for 2021.

**RESORT IMPROVEMENT DISTRICT NO. 1**  
**Notes to the Financial Statements**  
**June 30, 2021**

**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 - 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 which was completed in March 2020. The loan is not to exceed \$2,000,000. Loan payments commenced on October 1, 2018 with loan interest rate equal to Prime minus 1.10%. The loan was paid off in September 2020.

**NOTE 10 - HUMAN RESOURCES RECONCILIATION**

The District allocates total human resources expenses, including payroll and wages, payroll taxes, worker's compensation insurance, 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, 2021:

Total Labor Expenses (Wages, Benefits, Other)	<b>\$ 2,005,215</b>
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Reported in Financial Statements as follows:

Statement of Revenues, Expenditures and Changes in	
Fund Balances - Governmental Funds	
Administrative	456,951
Community Center	76,598
Fire Protection	139,080
Statement of Revenues, Expenses and Changes in	
Fund Net Assets - Proprietary Funds	
	1,332,586
	<b>\$ 2,005,215</b>

**NOTE 11 - SUBSEQUENT EVENTS**

Management has evaluated all known events that have occurred after June 30, 2021, and through September 24, 2023, the date when this financial statement was available to be issued, for inclusion in the financial statements and footnotes.

The District has been awarded a USDA Community Wildfire Defense Grant in March 2023 for \$6.2 million to provide outreach, coordination and inspection services and conduct 1211 acres of fuels reduction work over a five-year period.

California Parks and Recreation has awarded a Per Capita Grant for \$177,952 for a new Sports Courts project which has been given an extension to 12/31/28.

## RESORT IMPROVEMENT DISTRICT NO. 1

### Notes to the Financial Statements

June 30, 2021

#### NOTE 12 – NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued Statement No. 87, "*Leases.*" The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The District will implement this statement, as applicable, to its financial statements for the year ending June 30, 2022.

The GASB has issued Statement No. 89, "*Accounting for Interest Cost Incurred before the End of a Construction Period.*" The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The District will implement this statement, as applicable, to its financial statements for the year ending June 30, 2022.

The GASB has issued Statement No. 91, "*Conduit Debt Obligations.*" The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The District will implement this statement, as applicable, to its financial statements for the year ending June 30, 2023.

The GASB has issued Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance*". The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.



**RESORT IMPROVEMENT DISTRICT NO. 1**  
**Notes to the Financial Statements**  
**June 30, 2021**

**NOTE 13 – PANDEMIC EFFECTS**

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The District is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the District's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the District's employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the District's financial position and changes in net position, fund balance and cash flows is uncertain, and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

**REQUIRED SUPPLEMENTARY INFORMATION**

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

June 30, 2021

	30-Jun 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Employer Contributions	\$ 84,185	\$ 75,719	\$ 66,739	\$ 56,697	\$ 53,268	\$ 44,589	\$ 64,178
Covered-employee payroll	\$ 1,040,821	\$ 819,441	\$ 839,242	\$ 807,760	\$ 627,076	\$ 636,816	\$ 731,798
Contributions as a percentage of covered-employee payroll	8.09%	9.24%	7.95%	7.02%	8.49%	7.00%	8.77%

**NOTES TO SCHEDULE:**

Actuarial valuation date

6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013
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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, 2021**

	June 30, 2021	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	0.027660%	0.025860%	0.027870%	0.027870%	0.027520%	0.024326%	0.031083%
Plan's proportionate share of the net pension liability	\$ 1,166,805	\$ 1,073,787	\$ 983,398	\$ 1,029,824	\$ 885,008	\$ 667,367	\$ 768,202
Plan's covered-employee payroll	\$ 1,040,821	\$ 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	112.10%	131.04%	117.18%	127.49%	141.13%	104.80%	104.97%
CalPERS State-wide fiduciary net position	\$ 14,702,361,183	\$ 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	\$ 18,920,437,526	\$ 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	77.18%	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

**BUDGETARY COMPARISON SCHEDULE**

**RESORT IMPROVEMENT DISTRICT NO. 1**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual**  
**General Fund**  
**For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Variance w/ Final Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 601,000	\$ 601,000	\$ 700,514	\$ 99,514
Special Assessments	405,000	405,000	449,976	44,976
Use of money and property	81,200	81,200	108,122	26,922
Grants	33,355	33,355	18,629	(14,726)
Other revenues	52,500	52,500	62,075	9,575
<b>Total revenues</b>	<u>1,173,055</u>	<u>1,173,055</u>	<u>1,339,316</u>	<u>166,261</u>
<b>EXPENDITURES</b>				
Current				
General and Administrative	890,946	613,176	596,880	\$ (16,296)
Fire Protection	383,730	303,730	210,414	(93,316)
Community Center	175,446	132,596	122,677	(9,919)
Grant Expenditures	19,355	19,355	13,543	(5,812)
Noncurrent				
Capital Outlay	383,153	29,553	37,812	8,259
<b>Total expenditures</b>	<u>1,852,630</u>	<u>1,098,410</u>	<u>981,326</u>	<u>(117,084)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(679,575)</u>	<u>74,645</u>	<u>357,990</u>	<u>283,345</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	-	-	-	-
Transfer out	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	(679,575)	74,645	357,990	283,345
<b>FUND BALANCES</b>				
Beginning of year	-	-	-	-
End of year	<u>\$ (679,575)</u>	<u>\$ 74,645</u>	<u>\$ 357,990</u>	<u>\$ 283,345</u>