

NORTH HUMBOLDT
RECREATION AND PARK DISTRICT
BASIC FINANCIAL STATEMENTS

JUNE 30, 2021



Prepared by:

Dave Nakamura
General Manager

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North Humboldt Recreation and Park District
Basic Financial Statements
For the year ended June 30, 2021

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**North Humboldt Recreation and Park District
Basic Financial Statements
For the year ended June 30, 2021**

Elected Officials and Administrative Personnel

BOARD OF DIRECTORS

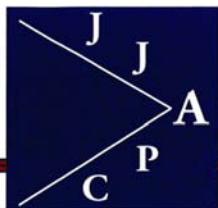
Jan Ross - Chair
Harvey Kelsey - Vice Chair / Treasurer
Kelley Hurlburt, Director
Marjorie Fay, Director
Patrick Swartz, Director
Ryan Plotz, Counsel

MANAGEMENT

Dave Nakamura – General Manager
Lawre Maple – Pool Director

ACCOUNTING

Molly Robles – 1 For The Books



JJACPA, Inc.

A Professional Accounting Services Corp.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
North Humboldt Recreation and Park District
Arcata, California

Report on the Financial Statements

We have audited the accompanying financial statements of the North Humboldt Recreation and Park District (District), 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. The prior year comparative total information has been derived from the District's June 30, 2020 basic financial statements with the report dated December 16, 2020.

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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

November 3, 2021

JJACPA, Inc.
JJACPA, Inc.
Dublin, CA

North Humboldt Recreation and Park District

Basic Financial Statements

For the year ended June 30, 2021

Management's Discussion and Analysis

The Management's Discussion and Analysis section represents North Humboldt Recreation and Park District's basic financial statements and provides management's discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2021. The management's discussion and analysis focus on current activities, resulting change and current known facts; therefore, it should be read in context with the District's basic financial statements (pages 11-13) and footnotes (pages 15-24).

FINANCIAL HIGHLIGHTS

- The District's net position increased by \$148,222 or 28.17% of operating revenues, as a result of this year's operation of the Arcata Community Pool.
- The total operating revenue of the Arcata Community Pool was \$90,016 in 2021 compared to \$317,384 in 2020, a decrease of 71.64%.
- The total operating expenses of the Arcata Community Pool was \$380,958 in 2021 compared to \$582,117 in 2020, a decrease of 34.56%.
- During 2021, the District's current assets (cash, receivables, prepaid expenses and inventory) increased by \$162,535, and its current liabilities (amounts due to customers, vendors, employees and others) decreased by \$36,420.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position – Proprietary Fund and the Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund (on pages 11 and 13) provide information about the activities of the District as a whole and present a longer-term view of the District's finances.

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund

One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse off as a result of this year's activities?" The Statement of Net Position – Proprietary Fund and the Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund report activities of the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the District's net assets and changes in net position. You can think of the District's net position--the difference between assets and liabilities--as one way to measure the District's financial health. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however such as changes in the District's property tax base and the condition of the District's infrastructure to assess the overall health of the District.

- In the Statement of Net Position – Proprietary Fund and the Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund, we adopted the financial format for Business-type activities--The District charges fees to customers to cover the cost of services it provides. The special District property tax and grant money are recorded as nonoperating revenues.

**North Humboldt Recreation and Park District
Basic Financial Statements
For the year ended June 30, 2021**

Management's Discussion and Analysis, Continued

Financial Analysis of the District as a Whole

	Net Position As of June 30, 2021 and 2020		Increase (Decrease)	Percent Change
	2021	2020		
Assets:				
Current assets	\$ 238,761	\$ 60,245	\$ 178,516	296.3%
Non-current assets	482,141	530,001	(47,860)	(9.0)%
Total assets	<u>720,902</u>	<u>590,246</u>	<u>130,656</u>	<u>22.1%</u>
Liabilities:				
Current liabilities	27,610	64,030	(36,420)	(56.9)%
Non-current liabilities	18,854	-	18,854	0.0%
Total liabilities	<u>46,464</u>	<u>64,030</u>	<u>(17,566)</u>	<u>(27.4)%</u>
Net position:				
Net investment in capital assets	482,141	530,001	(47,860)	(9.0)%
Restricted/Unrestricted Net Position:				
Unrestricted deficit	192,297	(3,785)	196,082	42.0%
Total net position	<u>\$ 674,438</u>	<u>\$ 526,216</u>	<u>\$ 148,222</u>	<u>52.8%</u>

This schedule represents the District's Statement of Net Position (page 11), presented on an accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used. Operating revenues in the Statement of Activities are revenues generated from the primary operations of the District. All other revenues are reported as non-operating revenues. Operating expenses are those essential expenses related to the primary operations of the District. All other expenses are reported as non-operating expenses.

As detailed in the table above, net position at June 30, 2021, increased to \$674,438 from \$526,216 in 2020. The increase in net position was primarily due to an increase in current assets. This increase is due to a number of variables but is primarily due to reimbursement from the State of California from Proposition 68 funds for a previous capital improvement project.

**North Humboldt Recreation and Park District
Basic Financial Statements
For the year ended June 30, 2021**

Management’s Discussion and Analysis, Continued

Financial Analysis of the District as a Whole, Continued

Operating results are summarized as follows:

**Operating Results
For the years ended June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating revenues	\$ 90,209	\$ 317,384	\$ (227,175)	(71.6)%
Operating expenses	378,566	582,117	(203,551)	(35.0)%
Operating income (loss)	(288,357)	(264,733)	(23,624)	8.9%
Non-operating revenues	210,329	204,088	6,241	3.1%
Non-operating expenses	(1,396)	(1,075)	(321)	29.9%
Grants, fundraising, and donations	227,646	3,180	224,466	100.0%
Change in net position	148,222	(58,540)	206,762	(353.2)%
Net position:				
Beginning of year, as originally reported	526,216	584,756	(58,540)	(10.0)%
End of year	<u>\$ 674,438</u>	<u>\$ 526,216</u>	<u>\$ 148,222</u>	<u>(363.2)%</u>

The Statement of Operating Results shows a significant drop in revenues and expenses due to mandated COVID 19 closures and/or operational restrictions that resulted in reduced operations. This statement also reflects revenues from the Proposition 68 reimbursement, significant grants, and other donations.

**North Humboldt Recreation and Park District
Basic Financial Statements
For the year ended June 30, 2021**

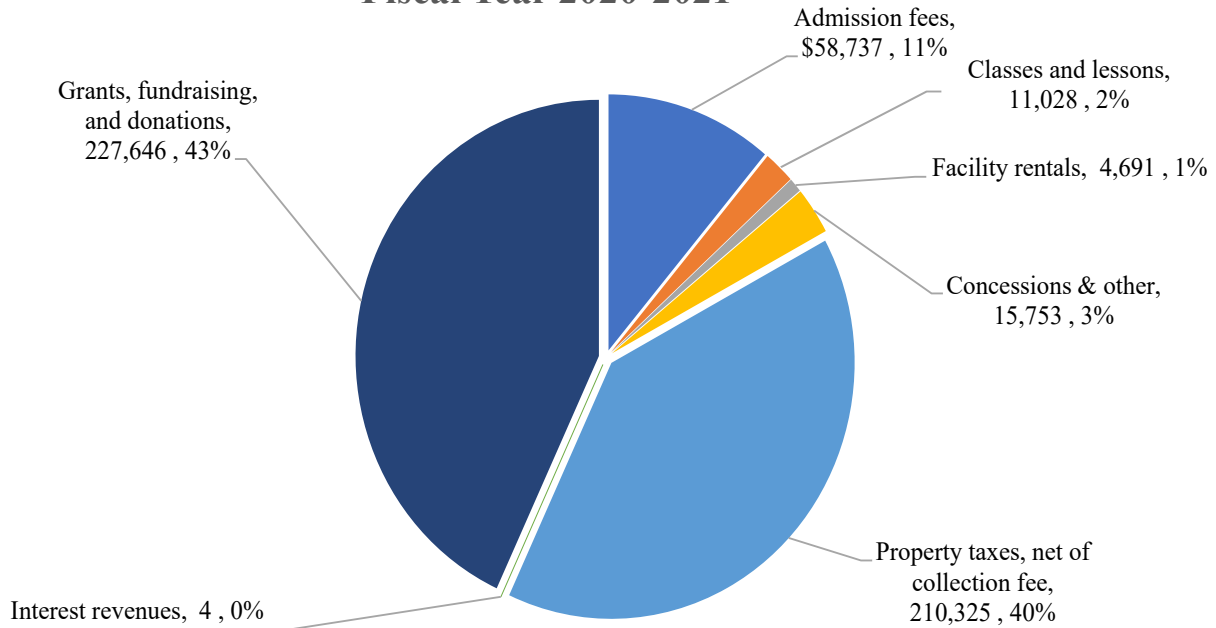
Management’s Discussion and Analysis, Continued

Financial Analysis of the District as a Whole, Continued

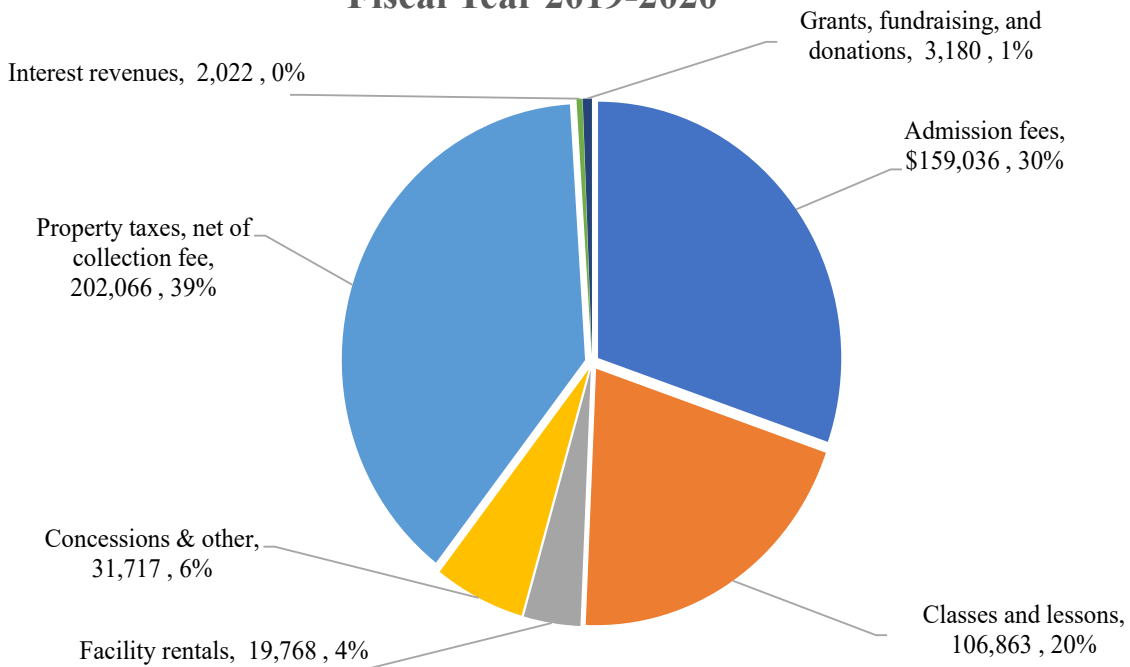
The following is a graphic illustration of revenues by source:

**Revenues by Source
Both Operating & Non-Operating**

Fiscal Year 2020-2021



Fiscal Year 2019-2020



**North Humboldt Recreation and Park District
Basic Financial Statements
For the year ended June 30, 2021**

Management's Discussion and Analysis, Continued

Financial Analysis of the District as a Whole, Continued

<u>FY 2020-2021</u>			<u>FY 2019-2020</u>		<u>Increase (Decrease)</u>
\$ 58,737	11.1%	Admission fees	\$ 159,036	30.4%	\$ (100,299)
11,028	2.1%	Classes and lessons	106,863	20.4%	(95,835)
4,691	0.9%	Facility rentals	19,768	3.8%	(15,077)
15,753	3.0%	Concessions & other	31,717	6.0%	(15,964)
210,325	39.8%	Property taxes, net of collection fee	202,066	38.5%	8,259
4	0.0%	Interest revenues	2,022	0.4%	(2,018)
227,646	43.1%	Grants, fundraising, and donations	3,180	0.6%	224,466
<u>\$ 528,184</u>	<u>100.0%</u>	Totals	<u>\$ 524,652</u>	<u>100.0%</u>	<u>\$ 3,532</u>

Operating expenses decreased overall by \$203,551 as detailed below:

Salaries and benefits	\$ 135,805	\$ 270,113	\$ (134,308)	(49.7)%
Utilities, telephone & repair/ maintenance	63,486	97,885	(34,399)	(35.1)%
Management & business services	54,347	69,780	(15,433)	(22.1)%
Depreciaition	59,996	45,859	14,137	30.8%
Other expenses	64,932	98,480	(33,548)	(34.1)%
Total	<u>\$ 378,566</u>	<u>\$ 582,117</u>	<u>\$ (203,551)</u>	<u>(35.0)%</u>
 Net capital assets	 <u>\$ 378,566</u>	 <u>\$ 582,117</u>	 <u>\$ (203,551)</u>	 <u>(35.0)%</u>

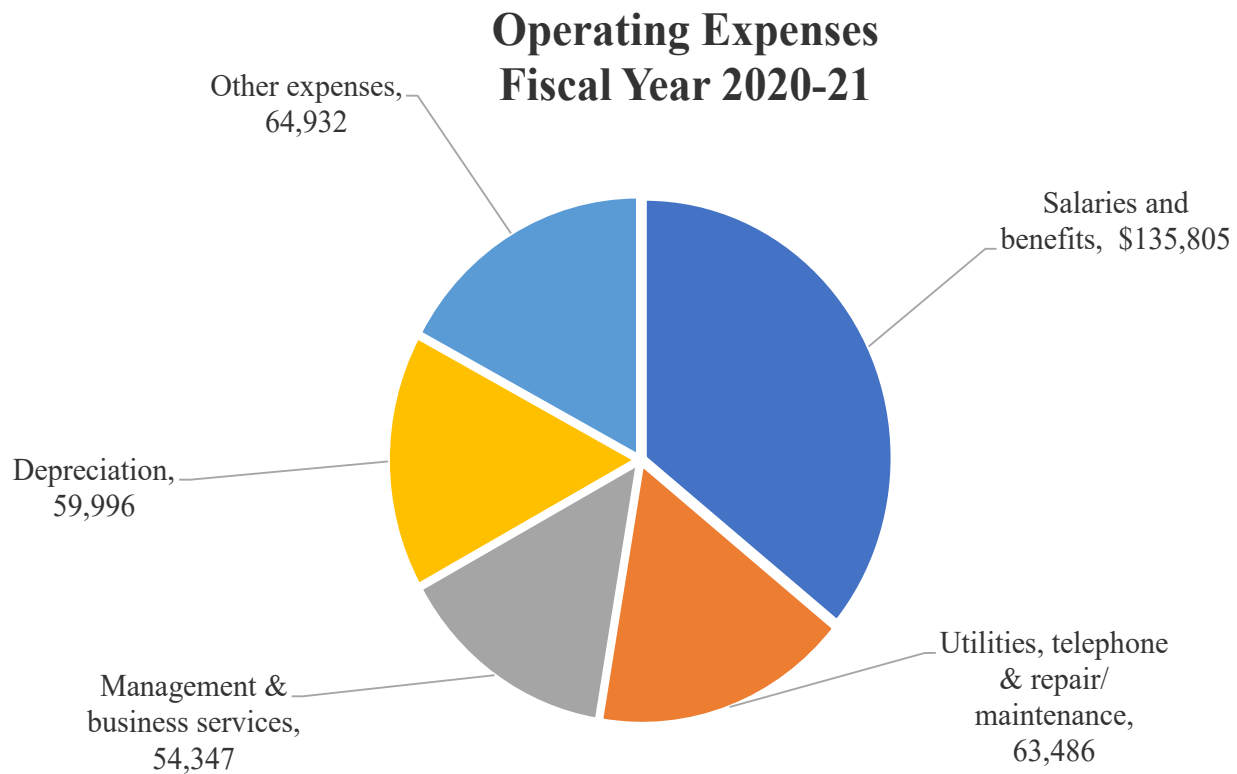
Operational revenues and expenses were greatly reduced as a result of a mandated facility closure due to the COVID 19 pandemic that lasted for approximately six months. Continued operational restrictions have been mandated during open periods that have resulted in decreased programming and monetary activity.

**North Humboldt Recreation and Park District
Basic Financial Statements
For the year ended June 30, 2021**

Management’s Discussion and Analysis, Continued

Financial Analysis of the District as a Whole, Continued

The following is a graphic illustration of operating expenses:



Net position increased by \$148,222 as detailed below:

**Analysis of Net Position
As of June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Net position:				
Net investment in capital assets	\$ 482,141	\$ 530,001	\$ (47,860)	(9.0)%
Unrestricted (deficit)	192,297	(3,785)	196,082	(5180.5)%
Total	<u>\$ 674,438</u>	<u>\$ 526,216</u>	<u>\$ 148,222</u>	<u>28.2%</u>

The change in Net Position is the result of significant reduction in expenses due to the COVID 19 pandemic.

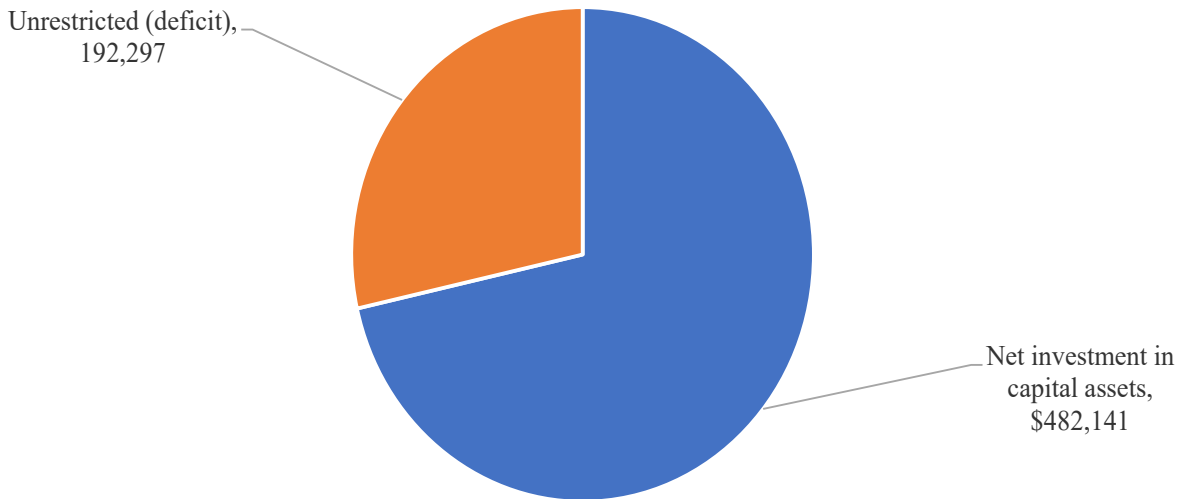
**North Humboldt Recreation and Park District
Basic Financial Statements
For the year ended June 30, 2021**

Management’s Discussion and Analysis, Continued

Financial Analysis of the District as a Whole, Continued

The following is a graphic illustration of net position:

**Net Position
Fiscal Year 2021-20**



Cash Flows

Net cash provided by operating activities decreased by \$41,388, due to significant decreases in cash received during the year.

Long-term Debt

The District’s long-term debt decreased by a net amount of \$26,191

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Arcata Community Pool, 1150 16th Street, Arcata, CA 95521.

BASIC FINANCIAL STATEMENTS

North Humboldt Recreation and Park District

Statements of Net Position

June 30, 2021

(with comparative totals for June 30, 2020)

ASSETS	2021	2020
Current assets:		
Cash	\$ 119,760	\$ 35,291
Cash held in Humboldt Co. investment pool	105,023	12,742
Accounts receivables	10,770	1,440
Inventory	3,208	3,907
Prepaid expenses	-	6,865
Total current assets	<u>238,761</u>	<u>60,245</u>
Noncurrent assets:		
Capital assets:		
Property, plant and equipment, net	482,141	530,001
Total assets	<u>\$ 720,902</u>	<u>\$ 590,246</u>
LIABILITIES AND NET POSITION(DEFICIT)		
Current liabilities:		
Accounts payable	\$ 6,258	\$ 8,613
Accrued payroll	5,162	5,417
Unearned revenue	5,158	-
Other payables	6,077	-
Line of credit	-	50,000
Loan payable - Current	4,955	-
Total current liabilities	<u>27,610</u>	<u>64,030</u>
Noncurrent liabilities:		
Loan payable - RREDC	18,854	-
Total noncurrent liabilities	<u>18,854</u>	<u>-</u>
Total liabilities	<u>46,464</u>	<u>64,030</u>
NET POSITION (DEFICIT)		
Net investment in capital assets	482,141	530,001
Unrestricted (deficit)	192,297	(3,785)
Total Net Position	<u>674,438</u>	<u>526,216</u>
Total liabilities and net position	<u>\$ 720,902</u>	<u>\$ 590,246</u>

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

North Humboldt Recreation and Park District
Statements of Revenues, Expenses, and Changes in Net Position
For the year ended June 30, 2021

(with comparative totals for the year ended June 30, 2020)

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES:		
Admission fees:		
Passes and ticket books	\$ 43,567	\$ 101,424
Daily admissions	15,170	57,612
Group swim lessons	6	50,940
Private swim lessons	6,247	32,053
School/special group swim lessons	-	5,498
Contract classes	4,775	18,372
Facility rentals	4,691	19,768
Retail merchandise sales	1,317	2,648
Concessions	294	22,831
Pool HSC Contract	13,673	-
Other and miscellaneous	469	6,238
Total operating revenues	<u>90,209</u>	<u>317,384</u>
OPERATING EXPENSES:		
Payroll and employee benefits	135,805	270,113
Facilities and equipment:		
Telephone	2,952	6,268
Utilities	57,409	77,703
Repairs, maintenance, and equipment	3,125	13,915
Depreciation	59,996	45,859
Supplies and services:		
Instructors/contractors	-	5,157
Advertising	1,740	2,770
Postage	117	350
Graphic services	-	3,231
Concessions supplies	403	16,971
Retail merchandise purchases	573	1,011
Operating supplies and services	22,162	31,141
Administrative services:		
Annual audit	7,000	6,900
Bank service charges	7,403	15,964
Insurance	21,563	11,086
Business, accounting, and personnel services	54,347	69,780
Other and miscellaneous	3,971	3,898
Total operating expenses	<u>378,566</u>	<u>582,117</u>
Operating income (loss)	<u>(288,357)</u>	<u>(264,733)</u>
NONOPERATING REVENUES (EXPENSES):		
Special district property taxes	215,821	208,054
Property tax collection fee	(5,496)	(5,988)
Interest revenue	4	2,022
Interest expense	(1,396)	(1,075)
Grants, fundraising, and donations	227,646	3,180
Total nonoperating revenues (expenses)	<u>436,579</u>	<u>206,193</u>
Change in Net Position	<u>148,222</u>	<u>(58,540)</u>
NET POSITION:		
Beginning of year	526,216	584,756
End of year	<u>\$ 674,438</u>	<u>\$ 526,216</u>

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

North Humboldt Recreation and Park District

Statements of Cash Flows

For the year ended June 30, 2021

(with comparative amounts for the year ended June 30, 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 86,037	\$ 302,363
Cash payments to suppliers for operations	(171,479)	(271,827)
Cash payments to employees for services	(136,060)	(293,426)
Net cash provided (used) by operating activities	(221,502)	(262,890)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Property taxes received net of collection fees	210,325	202,066
Donations received	227,646	3,180
Net cash provided by noncapital financing activities	437,971	205,246
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(12,136)	(292,701)
Net cash provided (used) by capital and related financing activities	(12,136)	(292,701)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Line of credit received (paid)	(45,045)	50,000
Interest paid	(1,396)	(1,075)
Property tax interest received	4	2,022
Proceeds from loan payable	18,854	-
Net cash provided (used) by investing activities	(27,583)	50,947
Net increase (decrease) in cash and cash equivalents	176,750	(299,398)
CASH:		
Beginning of year	48,033	347,431
End of year	\$ 224,783	\$ 48,033
FINANCIAL STATEMENT PRESENTATION RECONCILIATION:		
Cash	\$ 119,760	\$ 35,291
Cash held in Humboldt County investment pool	105,023	12,742
Cash, end of the year	\$ 224,783	\$ 48,033
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (288,357)	\$ (264,733)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	59,996	45,859
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(9,330)	3,802
(Increase) decrease in prepaid expenses	6,865	2,196
(Increase) decrease in inventory	699	(186)
Increase(decrease) in accounts payable	(2,355)	(31,005)
Increase(decrease) in accrued payroll	(255)	-
Increase(decrease) in deferred revenue	5,158	(18,823)
Increase(decrease) in other payables	6,077	-
Net cash provided (used) by operating activities	\$ (221,502)	\$ (262,890)

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

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North Humboldt Recreation and Park District
Basic Financial Statements
For the year ended June 30, 2021

Notes to Basic Financial Statements, Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of North Humboldt Recreation and Park District (the District) have been prepared in conformity with accounting principles generally accepted in the U.S.A. (US GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body establishing governmental accounting and financial reporting principles.

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

A. Description of the Reporting Entity

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

B. Nature of Activities

The District owns and operates the Arcata Community Pool. The pool was constructed using proceeds of revenue bonds which had been issued by the Arcata-North Humboldt Recreation Authority. The bonds were repaid in full and the Authority was terminated in 1999. The District contracted with University Center for management and accounting services until this agreement was terminated on February 28, 2021. The County of Humboldt collects tax revenue for the District.

C. Basis of Presentation

The financial statements required by GASB Statement No. 34, *Basic Financial Statements –and Management's Discussion and Analysis – for State and Local Governments*, as amended, include a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows.

The District utilizes an enterprise fund, which is a proprietary fund type. 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. Enterprise funds account for goods or services that are provided to outside parties. The District has elected to use the reporting model for special-purpose governments engaged only in business-type activities. In accordance with the business-type activities reporting model, the District prepares its statement of cash flows using the direct method.

North Humboldt Recreation and Park District
Basic Financial Statements
For the year ended June 30, 2021

Notes to Basic Financial Statements, Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Measurement Focus/Basis of Accounting

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

Proprietary fund types are accounted for an economic resources measurement focus using the accrual basis of accounting in which revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

The proprietary fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations.

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

E. Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term highly liquid investments that are readily convertible to cash and mature within 90 days of the date acquired. Cash deposited in external investment pools are considered to be cash equivalents when deposits and withdrawals may be made at any time without prior notice or penalty. The District participates in an external investment pool, the Humboldt County Treasurer's Investment Pool.

F. Cash Held in Humboldt County Investment Pool

Cash held in Humboldt County investment pool consists of property taxes collected by the County of Humboldt. Funds received are invested in the County Treasury. The District requests funds periodically to supplement the District's operations.

The County Treasurer's Investment Pool is administered by the County of Humboldt Treasurer's Office and conforms to the California Government Code. The County's portfolio normally consists of U.S. Treasury issues, U.S. Agency agreements, bankers' acceptances, and the Local Agency Investment Fund, a fund for pooling surplus cash of local government agencies that is chartered and administered by the California State Treasurer's Office. All cash invested by the County in demand deposit accounts is collateralized to 110 percent with approved U.S. Government securities, such as Treasury Bills and other U.S. Treasury issues.

G. Restricted Cash

Cash donated for the future purchase of a capital asset is separately reported as a restricted asset and not as a current asset.

North Humboldt Recreation and Park District
Basic Financial Statements
For the year ended June 30, 2021

Notes to Basic Financial Statements, Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

H. Allowance for Doubtful Accounts

The District evaluates the collectability of accounts receivable in order to determine the allowance for doubtful accounts. As of June 30, 2021, and 2020, the District determined that the various receivables are fully collectible and recorded \$0 and \$0 respectively for the allowance for doubtful accounts. Based on historical experience, the District does not expect amounts to become uncollectible, however if they are, they will be charged to operations as a bad debt expense. The impact of any bad debt expense recorded in the future is expected to be immaterial to the financial statements.

J. Prepaid Expenses

Prepaid expenses consist of pool supplies stated at cost.

I. Inventory

Inventory consists of concessions inventory and retail merchandise inventory all of which is stated at average cost.

L. Capital Assets

The District capitalizes acquisitions of equipment that have a useful life greater than one year and are in excess of \$5,000, improvements in excess of \$10,000, and intangible property in excess of \$5,000 at historical cost or estimated cost if actual cost is not available. The cost of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized and are expensed as incurred. Improvements are capitalized. Contributed assets are valued at their estimated fair market value on the date contributed. Depreciation is calculated over the estimated useful lives of assets using the straight-line method.

M. Unearned Revenues

Unearned revenues include fees for swimming lessons and activities that have been paid or billed in advance.

N. Revenues

The District classifies revenues from property taxes, grants, donations, and interest as nonoperating revenues.

O. Estimates

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

North Humboldt Recreation and Park District
Basic Financial Statements
For the year ended June 30, 2021

Notes to Basic Financial Statements, Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

P. Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports two categories of net position, as follows:

Net investment in capital assets – consists of net capital assets and cash restricted for the purchase of capital assets.

Unrestricted net position – consists of all other net position that does not meet the definition of “net investment in capital assets” or “restricted for capital assets” and is available for general use by the District.

2. CASH AND INVESTMENTS

A. Composition

The District's cash and temporary investments are carried at market value, and include:

	Maturities (in years)			Deposits	Fair Market Value
	< 1	1 to 2	> 2		
<u>Cash equivalents and investments pooled</u>					
Pooled cash, at fair value:					
Cash in bank - Checking	\$ -	\$ -	\$ -	\$ 119,760	\$ 119,760
Cash held in Humboldt Co. investment pool	-	-	-	105,023	105,023
Total cash and cash equivalents	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 224,783</u>	<u>\$ 224,783</u>
Financial Statement presentation:					
Cash					<u>\$ 224,783</u>
Total					<u>\$ 224,783</u>

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the District's cash on deposit or first trust deed mortgage notes with a value of 150% of the District's cash on deposit as collateral for these deposits. Under California Law this collateral is held in an investment pool by an independent financial institution in the District's name and places the District ahead of general creditors of the institution pledging the collateral. The District has waived collateral requirements for the portion of deposits covered by federal deposit insurance.

The District's investments are carried at fair value, as required by generally accepted accounting principles. The District adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

North Humboldt Recreation and Park District
Basic Financial Statements
For the year ended June 30, 2021

Notes to Basic Financial Statements, Continued

2. CASH AND INVESTMENTS, Continued

B. Authorized Investments

The District's Investment Policy and the California Government Code allow the District to invest in the following, provided the credit ratings of the issuers are acceptable to the District and approved percentages and maturities are not exceeded.

The table below also identifies certain provisions of the California Government Code, or the District's Investment Policy where the District's Investment Policy is more restrictive.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>
U.S. Treasury Obligations	10 years	None
Negotiable Certificates of Deposit	1 year	30%

C. Interest Rate and Credit Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

North Humboldt Recreation and Park District
Basic Financial Statements
For the year ended June 30, 2021

Notes to Basic Financial Statements, Continued

3. CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2021, were as follows:

	July 1, 2020	Additions	Deletions	Transfer/ Adjustments	June 30, 2021
Nondepreciable assets:					
Land	\$ 33,770	\$ -	\$ -	-	\$ 33,770
Total nondepreciable assets	<u>33,770</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,770</u>
Depreciable assets:					
Buildings and pool	828,961	-	-	-	828,961
Improvements	874,081	-	(82)	-	873,999
Furniture and fixtures	139,110	12,107	(23,031)	-	128,186
Total depreciable assets	<u>1,842,152</u>	<u>12,107</u>	<u>(23,113)</u>	<u>-</u>	<u>1,831,145</u>
Accumulated depreciation:	<u>(1,345,921)</u>	<u>(59,966)</u>	<u>23,113</u>	<u>-</u>	<u>(1,382,774)</u>
Net depreciable assets	<u>496,231</u>	<u>(47,860)</u>	<u>-</u>	<u>-</u>	<u>448,371</u>
Total capital assets	<u>\$ 530,001</u>	<u>\$ (47,860)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 482,141</u>

Depreciation expense was \$59,996 for the year ended June 30, 2021.

Changes in capital assets for the year ended June 30, 2020, were as follows:

	July 1, 2019	Additions	Deletions	Transfer/ Adjustments	June 30, 2020
Nondepreciable assets:					
Land	\$ 33,770	\$ -	\$ -	\$ -	\$ 33,770
Total nondepreciable assets	<u>33,770</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,770</u>
Depreciable assets:					
Buildings and pool	828,961	-	-	-	828,961
Improvements	636,306	323,141	(98,603)	-	860,844
Furniture and fixtures	217,071	-	(77,961)	-	139,110
Construction in progress	30,440	292,701	(323,141)	-	-
Total depreciable assets	<u>1,712,778</u>	<u>615,842</u>	<u>(499,705)</u>	<u>-</u>	<u>1,828,915</u>
Accumulated depreciation:	<u>(1,463,389)</u>	<u>(45,859)</u>	<u>176,564</u>	<u>-</u>	<u>(1,332,684)</u>
Net depreciable assets	<u>249,389</u>	<u>569,983</u>	<u>(323,141)</u>	<u>-</u>	<u>496,231</u>
Total capital assets	<u>\$ 283,159</u>	<u>\$ 569,983</u>	<u>\$ (323,141)</u>	<u>\$ -</u>	<u>\$ 530,001</u>

Depreciation expense was \$45,859 for the year ended June 30, 2020.

North Humboldt Recreation and Park District
Basic Financial Statements
For the year ended June 30, 2021

Notes to Basic Financial Statements, Continued

4. LINE OF CREDIT

Loan activity as of June 30, 2021:

	July 1, 2020	Additions	Retirements	Adjustments	June 30, 2021	Due Within One Year
Loan payable RREDC	\$ -	\$ 25,000	\$ (1,191)	\$ -	\$ 23,809	\$ 4,955
Total	-	25,000	(1,191)	-	23,809	4,955

In October of 2020, the District received a \$25,000 5-year term loan from the Redwood Region Economic Development Corporation (“RREDC”) for operating capital. As of June 30, 2021, the outstanding balance on the line of credit was \$23,809.

The District had a line of credit from the Humboldt State University Center in the amount of \$300,000. As of June 30, 2020, the outstanding balance was \$50,000. An additional draw of \$25,000 was made during the fiscal year. Access to this line of credit was terminated along with the Operating Agreement with the University Center. The outstanding balance was paid during the fiscal year upon receipt of the grant allocation from the California Department of Parks and Recreation.

5. OPERATING AGREEMENT WITH HUMBOLDT STATE UNIVERSITY CENTER

The District had an operating agreement with the Humboldt State University Center Board of Directors in place since 1993 to provide operating and management services. This agreement was terminated by the University Center during the fiscal year. After a transition period, the District assumed complete responsibility for these services on March 1, 2021.

6. PROPERTY TAXES

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

Since the passage of California Proposition 13, beginning with fiscal year 1978-79, taxes are based either on a 1% rate applied to the 1975-76 assessed value of the property, or on 1% of the sales price of the property on sales transactions and construction which occur after the 1975-76 assessment. Assessed values on properties (exclusive of increases related to sales transactions and improvements) can rise at a maximum of 2% per year. The amount collected by the County is distributed in accordance with State law to the various public agencies. Therefore, the District does not levy a specific tax rate but receives a share of the property tax revenue based on the State formula. The District’s tax rate is \$1.00/\$100 of assessed value, the maximum allowable under Proposition 13.

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

North Humboldt Recreation and Park District
Basic Financial Statements
For the year ended June 30, 2021

Notes to Basic Financial Statements, Continued

7. 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 health and welfare of employees. The District is a member of the Special District Risk Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority, created pursuant to California Government Code Sections 6500, et. Seq. Each entity has an equal voice in the selection of a board, which oversees the Authority. SDRMA provides coverage for general and auto liability, public officials' and employees' errors and omissions, employment practices liability, property loss, and workers' compensation benefits.

8. COMMITMENTS AND CONTINGENCIES

Grants and other financial awards may require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. Non-acceptance of a final report or the outcome of a funding source special audit may result in claims against the District for disallowed costs or noncompliance with grantor restrictions. Although that is a possibility, management currently deems the contingency remote based upon their knowledge of the objectives of the grantors and the provisions of the grants. Accordingly, no amount has been accrued as a contingent liability in the accompanying financial statements.

9. COVID-19 AND ITS IMPACT TO FINANCIAL CONDITIONS

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to communities worldwide as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in global exposure.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the District's financial condition, liquidity, and the future results of operations. Management is actively monitoring the situation. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the District is not able to fully estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for the next fiscal year.

For 2020 year, the District completed a parking lot project totaling \$323,141 utilizing District cash reserves. The parking lot project is to be partially funded by a California Department of Parks and Recreation allocation of bond funds in the amount of \$177,952 (see Note 9). As a result of the

operating loss caused by the pandemic and the timing of the bond funding for the parking lot project, the District drew on its line of credit with the Humboldt State University Center ("UC Line") that was established to bridge the timing of construction with the timing of the bond funding. This resulted in a temporary balance outstanding on the UC Line of \$50,000 at year end (see Note 4).

North Humboldt Recreation and Park District
Basic Financial Statements
For the year ended June 30, 2021

Notes to Basic Financial Statements, Continued

10. COVID-19 AND ITS IMPACT TO FINANCIAL CONDITIONS, Continued

The District has developed plans to mitigate the current financial impact of the pandemic and depleted cash reserves as follows:

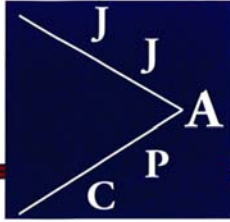
- In October of 2020, the District received a \$25,000 5-year term loan from the Redwood Region Economic Development Corporation (“RREDC”) for operating capital.
- In October and November of 2020, the District received \$20,000 in a grant from a private donor, funded through the Humboldt Area Foundation (“HAF”), and \$23,000 in COVID-related grants directly from the HAF.
- In November of 2020, the District applied for a grant from the County of Humboldt’s Small Business Restart & Recovery Grant Program in the amount of approximately \$4,000.
- In December of 2020, the District will receive its first semi-annual installment of \$107,000 in Special District Property Tax Revenues.
- In April of 2021, the District will receive its second semi-annual installment of \$110,000 in Special District Property Tax Revenues.
- In April of 2021, the District received payment of \$177,952 in bond funds to partially reimburse the District for previous costs associated with the parking lot project.
- In April of 2021, the District paid the UC for the outstanding balance owed on the line of credit.
- The District has also applied for a \$150,000 revolving line of credit from RREDC to assist with working capital needs until recovery to normal operations. That loan request is in process.
- The District has applied for recovery of lost revenues from the \$100M Special District Relief Fund that has been allocated by the state from Federal ARPA funds for Special Districts.
- The District has requested consideration from the City of Arcata and the County of Humboldt for recovery of lost revenues from their allocations from the Federal ARPA funds.

Although the District cannot estimate the length of the impact of the COVID-19 outbreak at this time, if the impact of the pandemic continues for an extended period of time, it may have an adverse effect on its future operations, financial position, and liquidity for the coming fiscal year. However, Management believes that its financial resources will be adequate to support operations at a minimized capacity for the foreseeable future and intends to continually assess and analyze the changing circumstances created by the COVID-19 outbreak in continuity with the goal of protecting this important community asset until reopening can occur under stabilized operating conditions.

11. SUBSEQUENT EVENTS

The District’s management has evaluated subsequent events through November 3, 2021, which is the date the financial statements were available to be issued and noted no significant subsequent events that could impact the understanding of the users of the financial statements. No material subsequent events were noted.

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JJACPA, Inc.

A Professional Accounting Services Corp.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
North Humboldt Recreation and Park District
Eureka, California

We have audited, in accordance with the auditing standard generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of North Humboldt Recreation and Park District(District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise North Humboldt Recreation and Park District's basic financial statements, and have issued our report thereon dated November 3, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control of the District' internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that we have not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

November 3, 2021

JJACPA, Inc.

JJACPA, Inc.
Dublin, CA