

**NORTH HUMBOLDT**  
**RECREATION AND PARK DISTRICT**  
**BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2023**



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, 2023**

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**North Humboldt Recreation and Park District  
Basic Financial Statements  
For the year ended June 30, 2023**

**Elected Officials and Administrative Personnel**

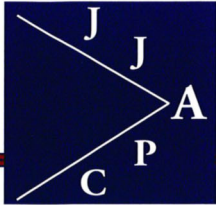
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**BOARD OF DIRECTORS**

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



**JJACPA, Inc.**

A Professional Accounting Services Corp.

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the North Humboldt Recreation and Park District (District), as of and for the year ended June 30, 2023, 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, 2023, basic financial statements with the report dated November 29, 2023.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the District, as of June 30, 2023, 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.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Management's Responsibility*

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibility***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***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.

***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated November 29, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

November 29, 2023

*JJACPA, Inc.*  
JJACPA, Inc.  
Dublin, CA

**North Humboldt Recreation and Park District  
Basic Financial Statements  
For the year ended June 30, 2023**

**Management's Discussion and Analysis, Continued**

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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, 2023. 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 12-15) and footnotes (pages 16-24).

**FINANCIAL HIGHLIGHTS**

- The District's net assets decreased by \$79,292 or 8.6 % of total net position, as a result of this year's operation of the Arcata Community Pool.
- The total operating revenue of the Arcata Community Pool was \$467,691 in 2023 compared to \$251,375 in 2022, an increase of 86.1%.
- The total operating expenses of the Arcata Community Pool was \$790,215 in 2023 compared to \$541,625 in 2022, an increase of 45.9%.
- During 2023, the District's current assets (cash, receivables, prepaid expenses and inventory) increased by \$51,856 and its current liabilities (amounts due to customers, vendors, employees and others) decreased by \$275.

**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 12 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, 2023**

**Management’s Discussion and Analysis, Continued**

**Financial Analysis of the District as a Whole**

	Net Position		Increase (Decrease)	Percent Change
	2023	2022		
<b>Assets:</b>				
Current assets	\$ 493,154	\$ 545,010	\$ (51,856)	(9.5)%
Non-current assets	391,781	422,573	(30,792)	(7.3)%
<b>Total assets</b>	<b>884,935</b>	<b>967,583</b>	<b>(82,648)</b>	<b>(8.5)%</b>
<b>Liabilities:</b>				
Current liabilities	34,308	34,583	(275)	(0.8)%
Non-current liabilities	10,933	14,014	(3,081)	0.0%
<b>Total liabilities</b>	<b>45,241</b>	<b>48,597</b>	<b>(3,356)</b>	<b>(6.9)%</b>
<b>Net position:</b>				
Net investment in capital assets	391,781	422,573	(30,792)	(7.3)%
Restricted/Unrestricted Net Position:				
Unrestricted	447,913	496,413	(48,500)	42.0%
<b>Total net position</b>	<b>\$ 839,694</b>	<b>\$ 918,986</b>	<b>\$ (79,292)</b>	<b>52.8%</b>

This schedule represents the District’s Statement of Net Position (page 12), 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, 2023, decreased to \$839,694 from \$918,986 in 2022. The decrease in net position was mainly due to a reduction in current assets due to drawdowns of cash resources and a reduction in investment in capital assets.

**North Humboldt Recreation and Park District  
Basic Financial Statements  
For the year ended June 30, 2023**

**Management's Discussion and Analysis, Continued**

**Financial Analysis of the District as a Whole, Continued**

Operating results are summarized as follows:

	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating revenues	\$ 467,691	\$ 251,375	216,316	86.1%
Operating expenses	790,215	541,625	248,590	45.9%
<b>Total operating revenues</b>	<u>(322,524)</u>	<u>(290,250)</u>	<u>(32,274)</u>	<u>40.2%</u>
Non-operating revenues	243,783	218,009	25,774	10.3%
Non-operating expenses	(551)	(569)	18	0.0%
Grants, fundraising, and donations	-	317,358	(317,358)	-126.2%
Change in net position	<u>(79,292)</u>	<u>244,548</u>	<u>(323,840)</u>	<u>(116.0)%</u>
Net position:				
Beginning of year, as originally reported	918,986	674,438	244,548	97.3%
End of year	<u>839,694</u>	<u>918,986</u>	<u>(79,292)</u>	<u>-18.7%</u>

The Statement of Operating Results shows a significant increase in both revenues and expenses due to recovery from the COVID-19 mandatory shutdowns and a slow return to normal operations. Expenses outpaced revenue largely due to increased utility and wage increases. This statement also reflects revenues from the COVID-19 Fiscal Relief for Special Districts, significant grants, and other donations during the 2021-22 fiscal year.

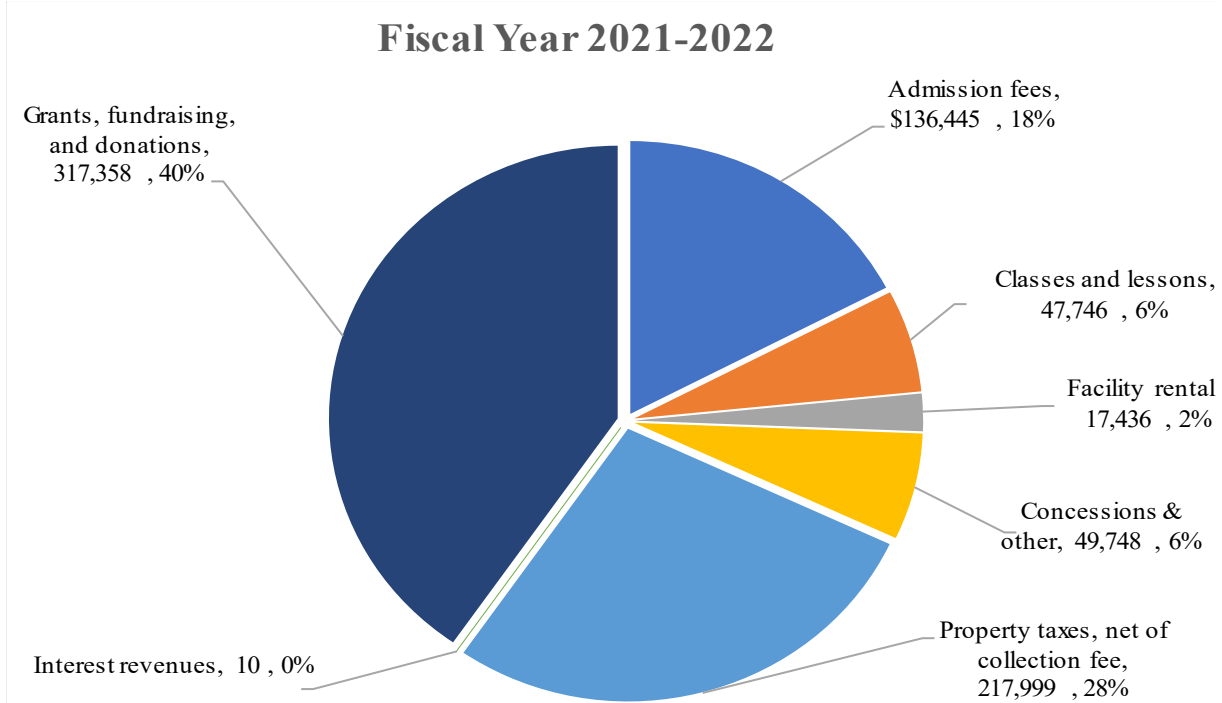
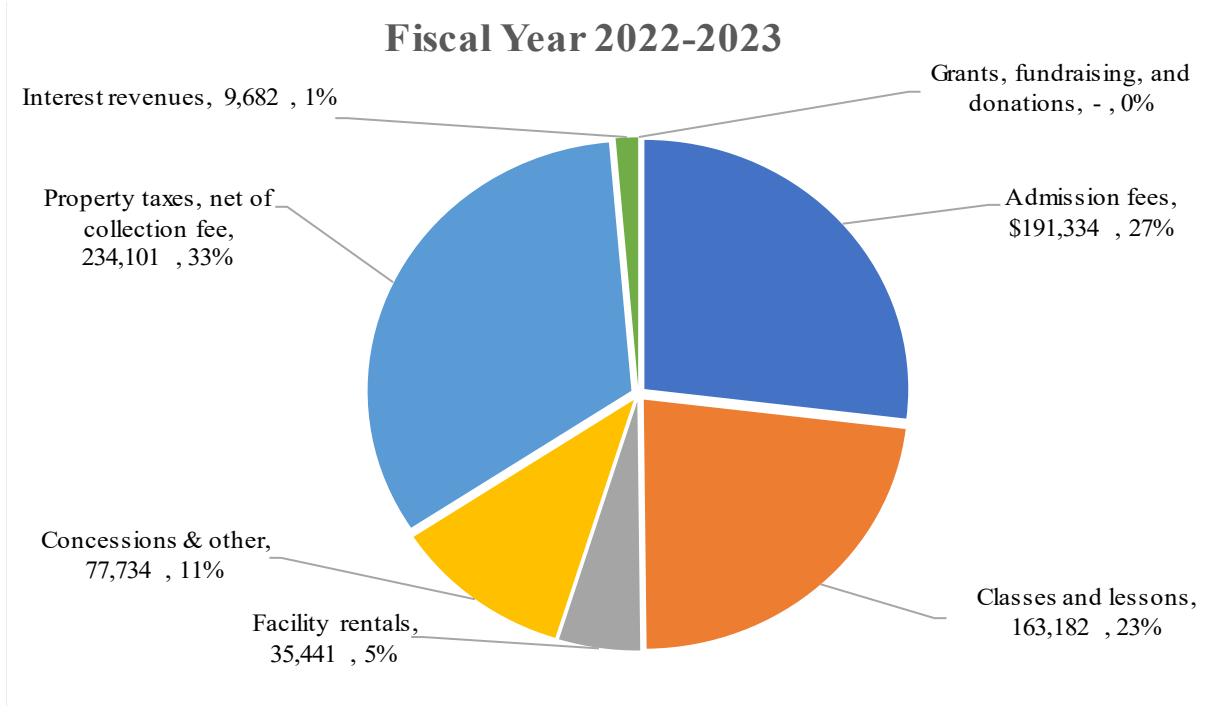
**North Humboldt Recreation and Park District  
Basic Financial Statements  
For the year ended June 30, 2023**

**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**



**North Humboldt Recreation and Park District  
Basic Financial Statements  
For the year ended June 30, 2023**

**Management’s Discussion and Analysis, Continued**

**Financial Analysis of the District as a Whole, Continued**

<u>FY 2022-2023</u>			<u>FY 2021-2022</u>		<u>Increase (Decrease)</u>
\$ 191,334	26.9%	<b>Admission fees</b>	\$ 136,445	19.2%	\$ 54,889
163,182	22.9%	<b>Classes and lessons</b>	47,746	6.7%	115,436
35,441	5.0%	<b>Facility rentals</b>	17,436	2.5%	18,005
77,734	10.9%	<b>Concessions &amp; other</b>	49,748	7.0%	27,986
234,101	32.9%	<b>Property taxes, net of collection fee</b>	217,999	30.6%	16,102
9,682	1.4%	<b>Interest revenues</b>	10	0.0%	9,672
-	0.0%	<b>Grants, fundraising, and donations</b>	317,358	44.6%	(317,358)
<u>\$ 711,474</u>	<u>100.0%</u>	<b>Totals</b>	<u>\$ 786,742</u>	<u>111.0%</u>	<u>\$ (75,268)</u>

Operating revenues saw significant gains in all categories over the previous FY. Note that one-time revenues received during 2021-22 were not duplicated this fiscal year.

Operating expenses increased overall by \$248,590 as detailed below:

<b>Operating Expenses</b>				
<b>For the years ended June 30, 2023 and 2022</b>				
	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
<b>Operating expenses:</b>				
Salaries and benefits	\$ 357,793	\$ 238,896	\$ 118,897	49.8%
Utilities, telephone & repair/ maintenance	169,939	108,904	61,035	56.0%
Management & business services	43,787	40,222	3,565	8.9%
Depreciation	63,272	59,568	3,704	6.2%
Other expenses	155,424	94,035	61,389	65.3%
<b>Total</b>	<u>\$ 790,215</u>	<u>\$ 541,625</u>	<u>\$ 248,590</u>	<u>45.9%</u>

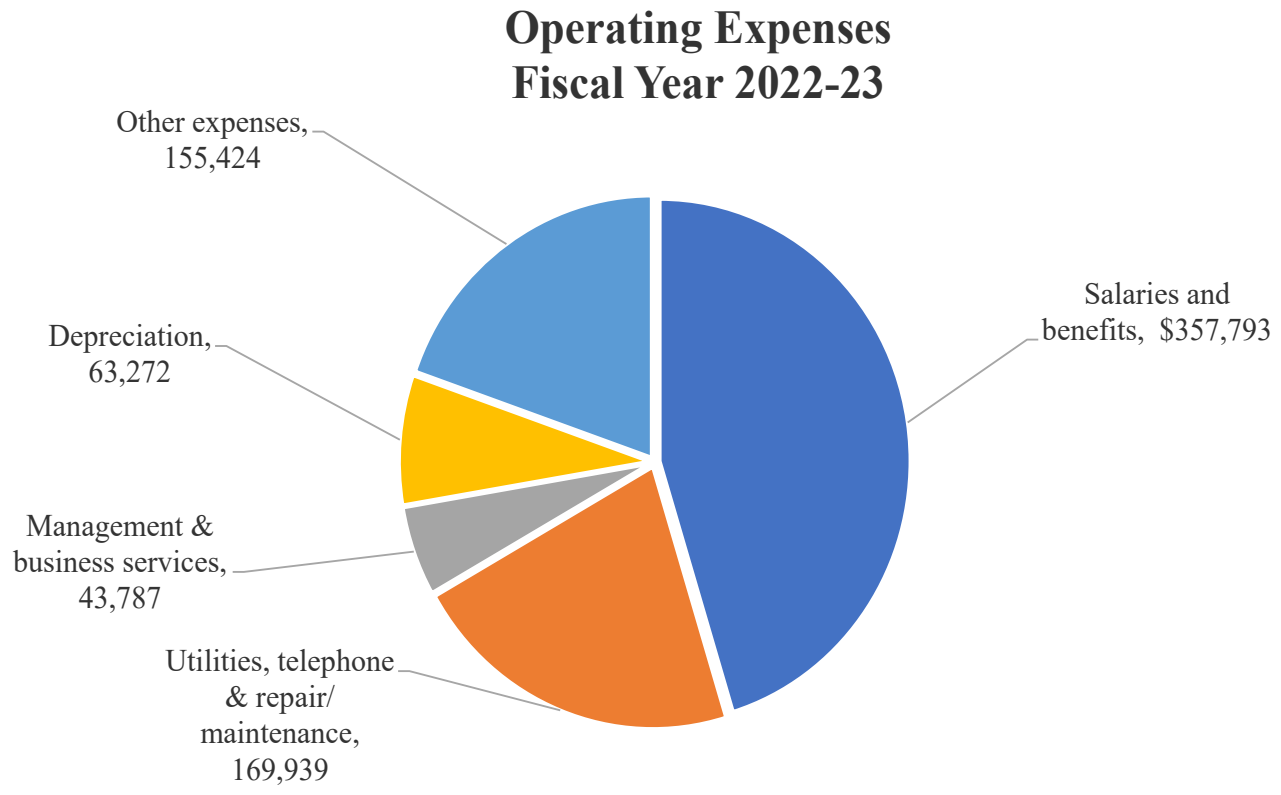
Wages, utilities and other operating expenses increased due to the comparison with the COVID shutdown during the previous fiscal year. In addition, expenses have increased due to increased customer participation and programming compared to the previous fiscal year. This increase in customers results in increased expenses in many categories, especially wages.

**North Humboldt Recreation and Park District  
Basic Financial Statements  
For the year ended June 30, 2023**

**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 decreased by \$79,292 as detailed below:

**Analysis of Net Position  
As of June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
<b>Net position:</b>				
Net investment in capital assets	\$ 391,781	\$ 422,573	\$ (30,792)	(7.3)%
Unrestricted (deficit)	447,913	496,413	(48,500)	(9.8)%
<b>Total</b>	<u>\$ 839,694</u>	<u>\$ 918,986</u>	<u>\$ (79,292)</u>	<u>(8.6)%</u>

This change in net position is primarily the result of one-time revenue from a sizable grant from the COVID-19 Fiscal Relief for Special Districts received in 2022. Additionally, there was increased operating expenses and a change in capital assets in 2023.

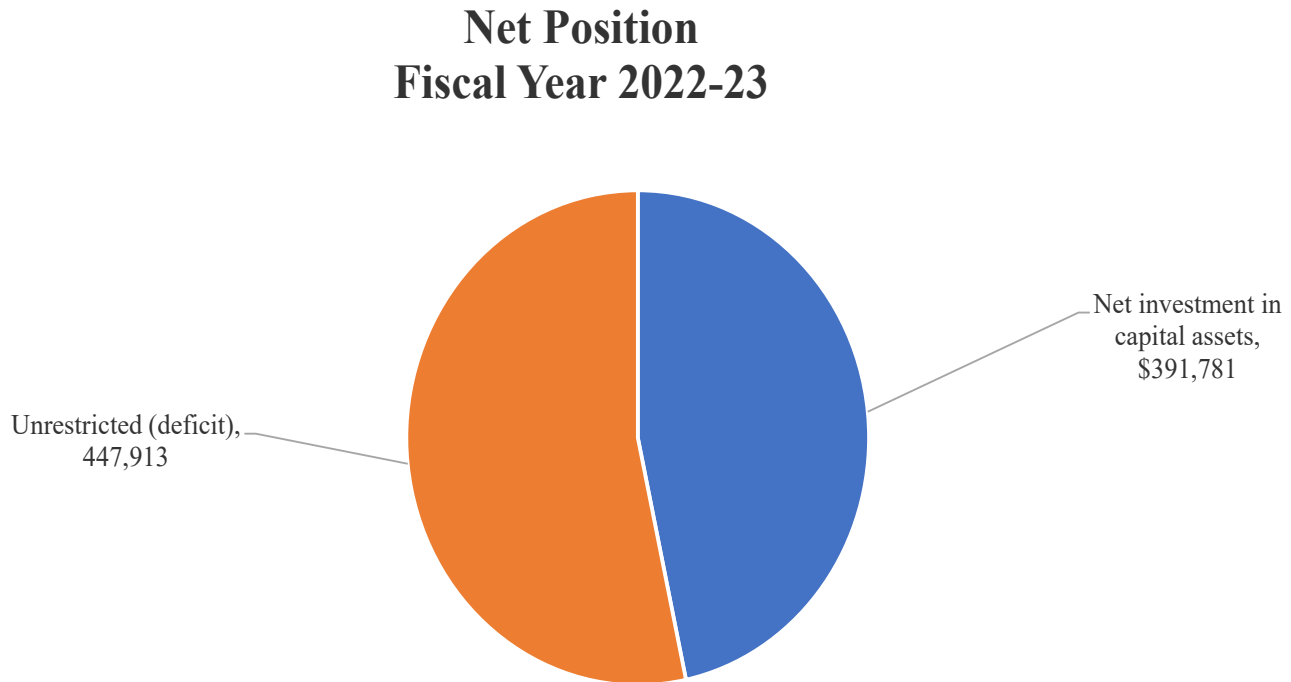
**North Humboldt Recreation and Park District  
Basic Financial Statements  
For the year ended June 30, 2023**

**Management’s Discussion and Analysis, Continued**

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**Financial Analysis of the District as a Whole, Continued**

The following is a graphic illustration of net position:



**Cash Flows**

Net cash used by operating activities increased by \$20,382 due to an increase in expenses due to an increase in customer participation and programming compared to the previous fiscal year.

**Long-term Debt**

The District’s long-term debt decreased by a net amount of \$3,081 for RREDC loan.

**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, 2023

(with comparative totals for June 30, 2022)

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash	\$ 49,290	\$ 60,295
Cash held in Humboldt Co. investment pool	407,272	453,703
Accounts receivables	29,889	24,523
Inventory	6,703	6,489
<b>Total current assets</b>	<u>493,154</u>	<u>545,010</u>
<b>Noncurrent assets:</b>		
Capital assets:		
Property, plant and equipment, net	391,781	422,573
<b>Total assets</b>	<u>\$ 884,935</u>	<u>\$ 967,583</u>
<b>LIABILITIES AND NET POSITION(DEFICIT)</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 15,309	\$ 11,020
Accrued payroll	9,769	7,658
Unearned revenue	5,283	5,158
Other payables	1,201	5,785
Loan payable - Current	2,746	4,962
<b>Total current liabilities</b>	<u>34,308</u>	<u>34,583</u>
<b>Noncurrent liabilities:</b>		
Loan payable - RREDC	10,933	14,014
<b>Total noncurrent liabilities</b>	<u>10,933</u>	<u>14,014</u>
<b>Total liabilities</b>	<u>45,241</u>	<u>48,597</u>
<b>NET POSITION (DEFICIT)</b>		
Net investment in capital assets	391,781	422,573
Unrestricted (deficit)	447,913	496,413
<b>Total Net Position</b>	<u>839,694</u>	<u>918,986</u>
<b>Total liabilities and net position</b>	<u>\$ 884,935</u>	<u>\$ 967,583</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, 2023**

(with comparative totals for the year ended June 30, 2022)

	<u>2023</u>	<u>2022</u>
<b>OPERATING REVENUES:</b>		
Admission fees:		
Passes and ticket books	\$ 123,795	\$ 95,087
Daily admissions	67,539	41,358
Group swim lessons	79,231	192
Private swim lessons	40,971	35,959
School/special group swim lessons	26,481	1,120
Contract classes	16,499	10,475
Facility rentals	35,441	17,436
Retail merchandise sales	5,743	3,209
Concessions	41,737	24,730
Pool HSC Contract	30,168	21,528
Other and miscellaneous	86	281
<b>Total operating revenues</b>	<u>467,691</u>	<u>251,375</u>
<b>OPERATING EXPENSES:</b>		
Payroll and employee benefits	357,793	238,896
Facilities and equipment:		
Telephone	2,517	2,986
Utilities	143,634	92,441
Repairs, maintenance, and equipment	23,788	13,477
Depreciation	63,272	59,568
Supplies and services:		
Instructors/contractors	634	4,920
Advertising	700	1,138
Postage	15	13
Concessions supplies	30,619	17,065
Retail merchandise purchases	2,276	547
Operating supplies and services	54,864	24,836
Administrative services:		
Annual audit	7,000	7,000
Bank service charges	17,613	6,925
Insurance	33,836	27,285
Business, accounting, and personnel services	43,787	40,222
Other and miscellaneous	7,867	4,306
<b>Total operating expenses</b>	<u>790,215</u>	<u>541,625</u>
<b>Operating income (loss)</b>	<u>(322,524)</u>	<u>(290,250)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Special district property taxes	239,597	223,680
Property tax collection fee	(5,496)	(5,681)
Interest revenue	9,682	10
Interest expense	(551)	(569)
Grants, fundraising, and donations	-	317,358
<b>Total nonoperating revenues (expenses)</b>	<u>243,232</u>	<u>534,798</u>
<b>Change in Net Position</b>	<u>(79,292)</u>	<u>244,548</u>
<b>NET POSITION:</b>		
Beginning of year	918,986	674,438
End of year	<u>\$ 839,694</u>	<u>\$ 918,986</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, 2023

(with comparative amounts for the year ended June 30, 2022)

	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	\$ 462,450	\$ 237,622
Cash payments to suppliers for operations	(372,740)	(246,812)
Cash payments to employees for services	(355,682)	(236,400)
<b>Net cash provided (used) by operating activities</b>	<b>(265,972)</b>	<b>(245,590)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Property taxes received net of collection fees	234,101	217,999
Donations received	-	317,358
<b>Net cash provided by noncapital financing activities</b>	<b>234,101</b>	<b>535,357</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition of capital assets	(32,480)	-
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(32,480)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Line of credit received (paid)	(2,216)	7
Interest paid	(551)	(569)
Property tax interest received	9,682	10
<b>Net cash provided (used) by investing activities</b>	<b>6,915</b>	<b>(552)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(57,436)</b>	<b>289,215</b>
<b>CASH:</b>		
Beginning of year	513,998	224,783
End of year	<b>\$ 456,562</b>	<b>\$ 513,998</b>
<b>FINANCIAL STATEMENT PRESENTATION RECONCILIATION:</b>		
Cash	\$ 49,290	\$ 60,295
Cash held in Humboldt County investment pool	407,272	453,703
<b>Cash, end of the year</b>	<b>\$ 456,562</b>	<b>\$ 513,998</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ (322,524)	\$ (290,250)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	63,272	59,568
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(5,366)	(13,753)
(Increase) decrease in inventory	(214)	(3,281)
Increase( decrease) in accounts payable	4,289	4,762
Increase( decrease) in accrued payroll	2,111	2,496
Increase( decrease) in deferred revenue	125	-
Increase( decrease) in other payables	(4,584)	(292)
Loan payable - RREDC	(3,081)	(4,840)
<b>Net cash provided (used) by operating activities</b>	<b>\$ (265,972)</b>	<b>\$ (245,590)</b>

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, 2023**

**Notes to Basic Financial Statements, Continued**

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**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, 2022. 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, 2023**

**Notes to Basic Financial Statements, Continued**

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**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, 2023**

**Notes to Basic Financial Statements, Continued**

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**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, 2023, and 2022, 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, 2023**

**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
	< 1	1 to 2	> 2		Market Value
<u>Cash equivalents and investments pooled</u>					
Pooled cash, at fair value:					
Cash in bank - Checking	\$ -	\$ -	\$ -	\$ 49,290	\$ 49,290
Cash held in Humboldt Co. investment pool	-	-	-	28,604	28,604
Cash held in California CLASS	-	-	-	378,668	378,668
Total cash and cash equivalents	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 456,562</u>	<u>\$ 456,562</u>
Financial Statement presentation:					
Cash					\$ 456,562
Total					<u>\$ 456,562</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, 2023**

**Notes to Basic Financial Statements, Continued**

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**2. CASH AND INVESTMENTS, Continued**

**Cash Held in California CLASS**

On October 14, 2022, the District started to invest most of its reserve in the California Cooperative Liquid Assets Securities System (California CLASS) . California CLASS is a joint exercise of powers entity authorized under Section 6509.7, California Government Code. California CLASS is a pooled investment option that was created via a joint exercise of powers agreement by and among California public agencies. California CLASS provides California public agencies with a convenient method for investing in high-quality, short- to medium-term securities carefully selected to optimize interest earnings while prioritizing safety and liquidity. The California CLASS Prime and Enhanced Cash funds offer public agencies the opportunity to strengthen and diversify their cash management programs in accordance with the safety, liquidity, and yield hierarchy that governs the investment of public funds. It is sponsored by both the California Special Districts Association (CSDA) and the League of California Cities.

**B. 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, 2023**

**Notes to Basic Financial Statements, Continued**

**3. CAPITAL ASSETS**

Changes in capital assets for the year ended June 30, 2023, were as follows:

	July 1, 2022	Additions	Deletions	Transfer/ Adjustments	June 30, 2023
<b>Nondepreciable assets:</b>					
Land	\$ 33,770	\$ -	\$ -	-	\$ 33,770
<b>Total nondepreciable assets</b>	<u>33,770</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,770</u>
<b>Depreciable assets:</b>					
Buildings and pool	828,961	-	-	-	828,961
Improvements	873,999	-	-	-	873,999
Furniture and fixtures	128,185	32,480	-	-	160,665
<b>Total depreciable assets</b>	<u>1,831,144</u>	<u>32,480</u>	<u>-</u>	<u>-</u>	<u>1,863,624</u>
<b>Accumulated depreciation:</b>	<u>(1,442,341)</u>	<u>(63,272)</u>	<u>-</u>	<u>-</u>	<u>(1,505,613)</u>
<b>Net depreciable assets</b>	<u>388,803</u>	<u>(30,792)</u>	<u>-</u>	<u>-</u>	<u>358,011</u>
<b>Total capital assets</b>	<u>\$ 422,573</u>	<u>\$ (30,792)</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 391,781</u>

Depreciation expense was \$63,272 for the year ended June 30, 2023.

Changes in capital assets for the year ended June 30, 2022, were as follows:

	July 1, 2021	Additions	Deletions	June 30, 2022
<b>Nondepreciable assets:</b>				
Land	\$ 33,770	\$ -	\$ -	\$ 33,770
<b>Total nondepreciable assets</b>	<u>33,770</u>	<u>-</u>	<u>-</u>	<u>33,770</u>
<b>Depreciable assets:</b>				
Buildings and pool	828,961	-	-	828,961
Improvements	873,999	-	-	873,999
Furniture and fixtures	128,185	-	-	128,185
<b>Total depreciable assets</b>	<u>1,831,144</u>	<u>-</u>	<u>-</u>	<u>1,831,144</u>
<b>Accumulated depreciation:</b>	<u>(1,382,773)</u>	<u>(59,568)</u>	<u>-</u>	<u>(1,442,341)</u>
<b>Net depreciable assets</b>	<u>448,371</u>	<u>(59,568)</u>	<u>-</u>	<u>388,803</u>
<b>Total capital assets</b>	<u>\$ 482,141</u>	<u>\$ (59,568)</u>	<u>-</u>	<u>\$ 422,573</u>

Depreciation expense was \$59,568 for the year ended June 30, 2022.

**North Humboldt Recreation and Park District**  
**Basic Financial Statements**  
**For the year ended June 30, 2023**

**Notes to Basic Financial Statements, Continued**

**4. LINE OF CREDIT**

Loan activity as of June 30, 2023:

	July 1, 2022	Additions	Retirements	Adjustments	June 30, 2023	Due Within One Year
Loan payable RREDC	\$ 18,976	\$ -	\$ (5,297)	\$ -	\$ 13,679	\$ 2,746
<b>Total</b>	<b>18,976</b>	<b>-</b>	<b>(5,297)</b>	<b>-</b>	<b>13,679</b>	<b>2,746</b>

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, 2023, the outstanding balance on the line of credit was \$13,679.

**5. 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.

**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 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.

**North Humboldt Recreation and Park District**  
**Basic Financial Statements**  
**For the year ended June 30, 2023**

**Notes to Basic Financial Statements, Continued**

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**7. COMMITMENTS AND CONTIGENCIES**

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.

**8. COVID-19 AND ITS IMPACT TO FINANCIAL CONDITIONS**

The lingering impacts of the COVID-19 pandemic continued into the 2022-23 fiscal year. Two mandated complete shutdowns in 2020 and 2021 had significant effects on the pool's operations and staffing. Moving into 2022-23; staffing levels, program offerings, and customer participation were slow to recover to pre-pandemic levels. This recovery gained significant traction, especially during the second half of the 2022-23 fiscal year.

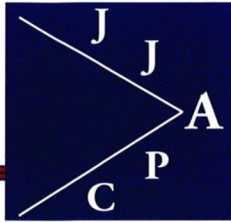
The District received a significant COVID related allocation during 2021-22. The District has received \$290,858 for lost revenues from the \$100M Special District Relief Fund that has been allocated by the state from Federal ARPA funds for Special Districts. These one-time funds greatly aided financial stability during this period of economic recovery.

The District also was allocated \$25,000 from the City of Arcata from their Federal ARPA funds. Note: These funds were actually received during the 2023-24 fiscal year and are earmarked to be used for the backlog of maintenance projects.

**9. SUBSEQUENT EVENTS**

The District's management has evaluated subsequent events through November 29, 2023, 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, 2023, 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 29, 2023.

**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 29, 2023

*JJACPA, Inc.*

JJACPA, Inc.  
Dublin, CA