

NORTH HUMBOLDT
RECREATION AND PARK DISTRICT
BASIC FINANCIAL STATEMENTS

JUNE 30, 2022



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, 2022

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**North Humboldt Recreation and Park District
Basic Financial Statements
For the year ended June 30, 2022**

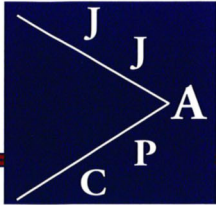
Elected Officials and Administrative Personnel

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



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 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, 2022, 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, 2022, basic financial statements with the report dated January 17, 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, 2022, 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 January 17, 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.

January 17, 2023

JJACPA, Inc.
JJACPA, Inc.
Dublin, CA

**North Humboldt Recreation and Park District
Basic Financial Statements
For the year ended June 30, 2022**

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, 2022. 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 increased by \$246,681 or 273.46% 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 \$251,375 in 2022 compared to \$90,209 in 2021, an increase of 178.99%.
- The total operating expenses of the Arcata Community Pool was \$541,625 in 2022 compared to \$378,566 in 2021, an increase of 43.07%.
- During 2022, the District's current assets (cash, receivables, prepaid expenses and inventory) increased by \$306,249 and its current liabilities (amounts due to customers, vendors, employees and others) increased by \$6,973.

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, 2022**

Management’s Discussion and Analysis

Financial Analysis of the District as a Whole

| | Net Position As of June 30, 2022 and 2021 | | Increase (Decrease) | Percent Change |
|---------------------------------------|--|-------------------|------------------------|-------------------|
| | 2022 | 2021 | | |
| Assets: | | | | |
| Current assets | \$ 545,010 | \$ 238,761 | \$ 306,249 | 128.3% |
| Non-current assets | 422,573 | 482,141 | (59,568) | (12.4)% |
| Total assets | 967,583 | 720,902 | 246,681 | 34.2% |
| Liabilities: | | | | |
| Current liabilities | 34,583 | 27,610 | 6,973 | 25.3% |
| Non-current liabilities | 14,014 | 18,854 | (4,840) | 0.0% |
| Total liabilities | 48,597 | 46,464 | 2,133 | 4.6% |
| Net position: | | | | |
| Net investment in capital assets | 422,573 | 482,141 | (59,568) | (12.4)% |
| Restricted/Unrestricted Net Position: | | | | |
| Unrestricted deficit | 496,413 | 192,297 | 304,116 | 42.0% |
| Total net position | \$ 918,986 | \$ 674,438 | \$ 244,548 | 52.8% |

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, 2022, increased to \$918,986 from \$674,438 in 2021. 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 a grant from the State of California from the COVID-19 Fiscal Relief for Special Districts.

**North Humboldt Recreation and Park District
Basic Financial Statements
For the year ended June 30, 2022**

Management’s Discussion and Analysis, Continued

Financial Analysis of the District as a Whole, Continued

Operating results are summarized as follows:

| | <u>2022</u> | <u>2021</u> | <u>Increase (Decrease)</u> | <u>Percent Change</u> |
|---|------------------|------------------|--------------------------------|---------------------------|
| Operating revenues | \$ 251,375 | \$ 90,209 | 161,166 | 178.7% |
| Operating expenses | <u>541,625</u> | <u>378,566</u> | <u>163,059</u> | <u>43.1%</u> |
| Total operating revenues | <u>(290,250)</u> | <u>(288,357)</u> | <u>(1,893)</u> | <u>135.6%</u> |
| Non-operating revenues | 218,009 | 210,329 | 7,680 | 8.5% |
| Non-operating expenses | (569) | (1,396) | 827 | 0.9% |
| Grants, fundraising, and donations | <u>317,358</u> | <u>227,646</u> | <u>89,712</u> | <u>99.4%</u> |
| Change in net position | <u>244,548</u> | <u>148,222</u> | <u>9821900.0%</u> | <u>108.9%</u> |
| Net position: | | | | |
| Beginning of year, as originally reported | <u>674,438</u> | <u>526,216</u> | <u>148,222</u> | <u>164.3%</u> |
| End of year | <u>918,986</u> | <u>674,438</u> | <u>246,441</u> | <u>273.2%</u> |

The Statement of Operating Results shows an increase in both drop in revenues and expenses due to recovery from the COVID-19 mandatory shutdowns and a slow return to normal operations. This statement also reflects revenues from the COVID-19 Fiscal Relief for Special Districts, significant grants, and other donations.

**North Humboldt Recreation and Park District
Basic Financial Statements
For the year ended June 30, 2022**

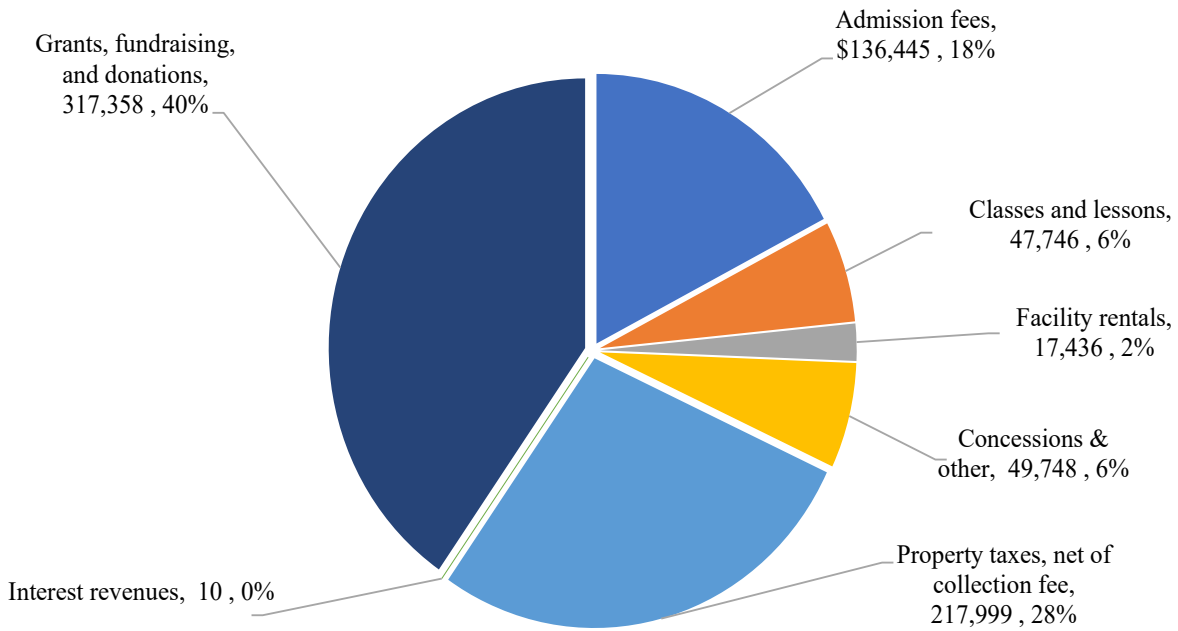
Management’s Discussion and Analysis, Continued

Financial Analysis of the District as a Whole, Continued

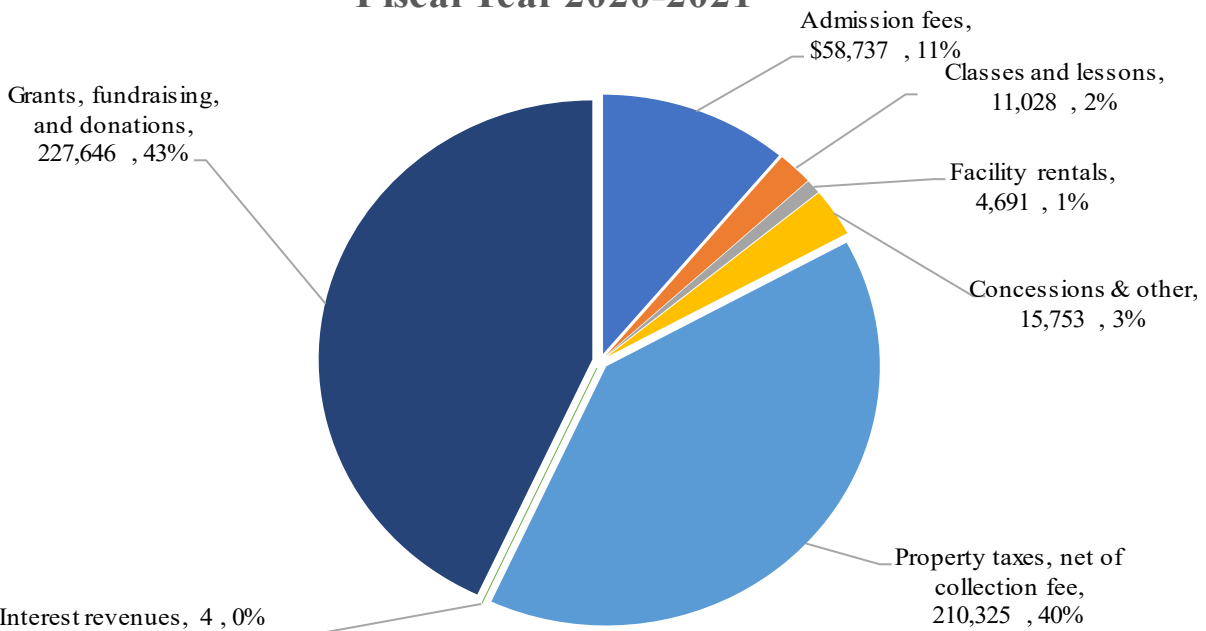
The following is a graphic illustration of revenues by source:

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

Fiscal Year 2021-2022



Fiscal Year 2020-2021



**North Humboldt Recreation and Park District
Basic Financial Statements
For the year ended June 30, 2022**

Management’s Discussion and Analysis, Continued

Financial Analysis of the District as a Whole, Continued

| <u>FY 2021-2022</u> | | | <u>FY 2020-2021</u> | | <u>Increase (Decrease)</u> |
|---------------------|---------------|--|---------------------|--------------|--------------------------------|
| \$ 136,445 | 17.3% | Admission fees | \$ 58,737 | 7.5% | \$ 77,708 |
| 47,746 | 6.1% | Classes and lessons | 11,028 | 1.4% | 36,718 |
| 17,436 | 2.2% | Facility rentals | 4,691 | 0.6% | 12,745 |
| 49,748 | 6.3% | Concessions & other | 15,753 | 2.0% | 33,995 |
| 217,999 | 27.7% | Property taxes, net of collection fee | 210,325 | 26.7% | 7,674 |
| 10 | 0.0% | Interest revenues | 4 | 0.0% | 6 |
| 317,358 | 40.3% | Grants, fundraising, and donations | 227,646 | 28.9% | 89,712 |
| <u>\$ 786,742</u> | <u>100.0%</u> | Totals | <u>\$ 528,184</u> | <u>67.0%</u> | <u>\$ 258,558</u> |

Operating expenses increased overall by \$163,059 as detailed below:

| Operating Expenses | | | | |
|---|-------------------|-------------------|--------------------------------|---------------------------|
| For the years ended June 30, 2022 and 2021 | | | | |
| | <u>2022</u> | <u>2021</u> | <u>Increase (Decrease)</u> | <u>Percent Change</u> |
| Operating expenses: | | | | |
| Salaries and benefits | \$ 238,896 | \$ 135,805 | \$ 103,091 | 75.9% |
| Utilities, telephone & repair/ maintenance | 108,904 | 63,486 | 45,418 | 71.5% |
| Management & business services | 40,222 | 54,347 | (14,125) | (26.0)% |
| Depreciation | 59,568 | 59,996 | (428) | (0.7)% |
| Other expenses | 94,035 | 64,932 | 29,103 | 44.8% |
| Total | <u>\$ 541,625</u> | <u>\$ 378,566</u> | <u>\$ 163,059</u> | <u>43.1%</u> |

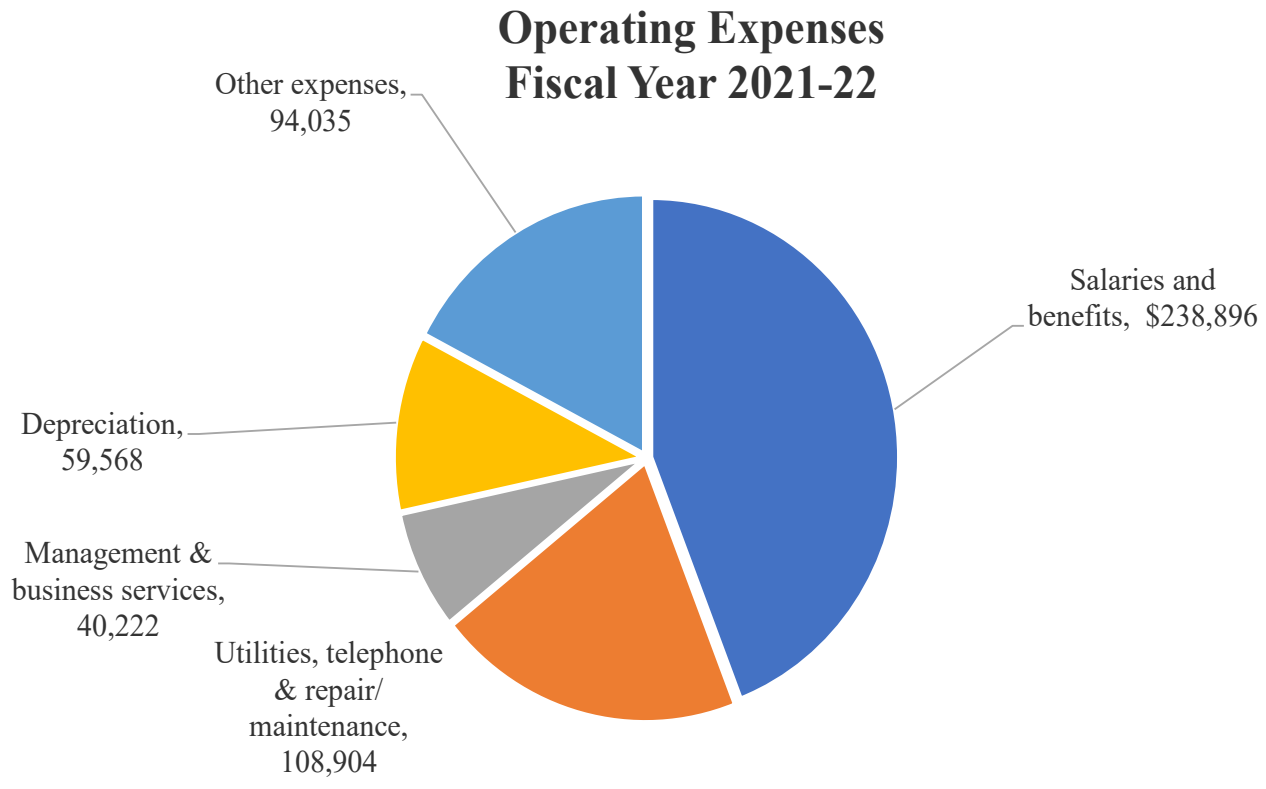
Wages, utilities and other expenses increased due to the comparison with the COVID shutdown during the previous fiscal year. In addition, expenses have increased due to increased customer participation and programming compared to previous fiscal year. Management and business services decreased due to the reduction in fees associated with current outside services compared to University Center administrative fees.

**North Humboldt Recreation and Park District
Basic Financial Statements
For the year ended June 30, 2022**

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 \$129,819 as detailed below:

**Analysis of Net Position
As of June 30, 2022 and 2021**

| | <u>2022</u> | <u>2021</u> | <u>Increase (Decrease)</u> | <u>Percent Change</u> |
|----------------------------------|-------------------|-------------------|--------------------------------|---------------------------|
| Net position: | | | | |
| Net investment in capital assets | \$ 422,573 | \$ 482,141 | \$ (59,568) | (12.4)% |
| Unrestricted (deficit) | 496,413 | 192,297 | 304,116 | 158.1% |
| Total | <u>\$ 918,986</u> | <u>\$ 674,438</u> | <u>\$ 244,548</u> | <u>36.3%</u> |

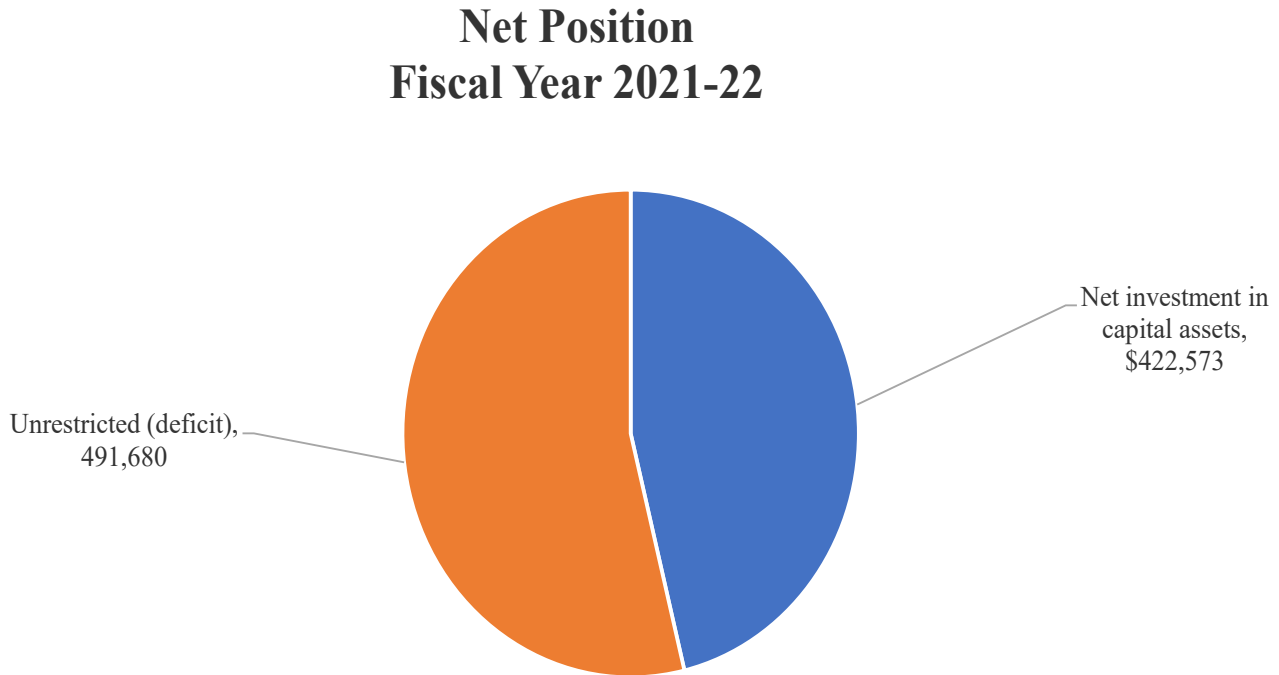
This change in net position is primarily the result of a sizable grant from the COVID-19 Fiscal Relief for Special Districts.

**North Humboldt Recreation and Park District
Basic Financial Statements
For the year ended June 30, 2022**

Management’s Discussion and Analysis, Continued

Financial Analysis of the District as a Whole, Continued

The following is a graphic illustration of net position:



Cash Flows

Net cash provided by operating activities increased by \$24,088 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 \$5,624.

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, 2022

(with comparative totals for June 30, 2021)

| | <u>2022</u> | <u>2021</u> |
|--|-------------------|-------------------|
| ASSETS | | |
| Current assets: | | |
| Cash | \$ 60,295 | \$ 119,760 |
| Cash held in Humboldt Co. investment pool | 453,703 | 105,023 |
| Accounts receivables | 24,523 | 10,770 |
| Inventory | 6,489 | 3,208 |
| Total current assets | <u>545,010</u> | <u>238,761</u> |
| Noncurrent assets: | | |
| Capital assets: | | |
| Property, plant and equipment, net | 422,573 | 482,141 |
| Total assets | <u>\$ 967,583</u> | <u>\$ 720,902</u> |
| LIABILITIES AND NET POSITION(DEFICIT) | | |
| Current liabilities: | | |
| Accounts payable | \$ 11,020 | \$ 6,258 |
| Accrued payroll | 7,658 | 5,162 |
| Unearned revenue | 5,158 | 5,158 |
| Other payables | 5,785 | 6,077 |
| Loan payable - Current | 4,962 | 4,955 |
| Total current liabilities | <u>34,583</u> | <u>27,610</u> |
| Noncurrent liabilities: | | |
| Loan payable - RREDC | 14,014 | 18,854 |
| Total noncurrent liabilities | <u>14,014</u> | <u>18,854</u> |
| Total liabilities | <u>48,597</u> | <u>46,464</u> |
| NET POSITION (DEFICIT) | | |
| Net investment in capital assets | 422,573 | 482,141 |
| Unrestricted (deficit) | 496,413 | 192,297 |
| Total Net Position | <u>918,986</u> | <u>674,438</u> |
| Total liabilities and net position | <u>\$ 967,583</u> | <u>\$ 720,902</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, 2022

(with comparative totals for the year ended June 30, 2021)

| | <u>2022</u> | <u>2021</u> |
|---|-------------------|-------------------|
| OPERATING REVENUES: | | |
| Admission fees: | | |
| Passes and ticket books | \$ 95,087 | \$ 43,567 |
| Daily admissions | 41,358 | 15,170 |
| Group swim lessons | 192 | 6 |
| Private swim lessons | 35,959 | 6,247 |
| School/special group swim lessons | 1,120 | - |
| Contract classes | 10,475 | 4,775 |
| Facility rentals | 17,436 | 4,691 |
| Retail merchandise sales | 3,209 | 1,317 |
| Concessions | 24,730 | 294 |
| Pool HSC Contract | 21,528 | 13,673 |
| Other and miscellaneous | 281 | 469 |
| Total operating revenues | <u>251,375</u> | <u>90,209</u> |
| OPERATING EXPENSES: | | |
| Payroll and employee benefits | 238,896 | 135,805 |
| Facilities and equipment: | | |
| Telephone | 2,986 | 2,952 |
| Utilities | 92,441 | 57,409 |
| Repairs, maintenance, and equipment | 13,477 | 3,125 |
| Depreciation | 59,568 | 59,996 |
| Supplies and services: | | |
| Instructors/contractors | 4,920 | - |
| Advertising | 1,138 | 1,740 |
| Postage | 13 | 117 |
| Concessions supplies | 17,065 | 403 |
| Retail merchandise purchases | 547 | 573 |
| Operating supplies and services | 24,836 | 22,162 |
| Administrative services: | | |
| Annual audit | 7,000 | 7,000 |
| Bank service charges | 6,925 | 7,403 |
| Insurance | 27,285 | 21,563 |
| Business, accounting, and personnel services | 40,222 | 54,347 |
| Other and miscellaneous | 4,306 | 3,971 |
| Total operating expenses | <u>541,625</u> | <u>378,566</u> |
| Operating income (loss) | <u>(290,250)</u> | <u>(288,357)</u> |
| NONOPERATING REVENUES (EXPENSES): | | |
| Special district property taxes | 223,680 | 215,821 |
| Property tax collection fee | (5,681) | (5,496) |
| Interest revenue | 10 | 4 |
| Interest expense | (569) | (1,396) |
| Grants, fundraising, and donations | 317,358 | 227,646 |
| Total nonoperating revenues (expenses) | <u>534,798</u> | <u>436,579</u> |
| Change in Net Position | 244,548 | 148,222 |
| NET POSITION: | | |
| Beginning of year | 674,438 | 526,216 |
| End of year | <u>\$ 918,986</u> | <u>\$ 674,438</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, 2022

(with comparative amounts for the year ended June 30, 2021)

| | 2022 | 2021 |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Receipts from customers | \$ 237,622 | \$ 86,037 |
| Cash payments to suppliers for operations | (246,812) | (171,479) |
| Cash payments to employees for services | (236,400) | (136,060) |
| Net cash provided (used) by operating activities | (245,590) | (221,502) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | |
| Property taxes received net of collection fees | 217,999 | 210,325 |
| Donations received | 317,358 | 227,646 |
| Net cash provided by noncapital financing activities | 535,357 | 437,971 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Acquisition of capital assets | - | (12,136) |
| Net cash provided (used) by capital and related financing activities | - | (12,136) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Line of credit received (paid) | 7 | (45,045) |
| Interest paid | (569) | (1,396) |
| Property tax interest received | 10 | 4 |
| Proceeds from loan payable | - | 18,854 |
| Net cash provided (used) by investing activities | (552) | (27,583) |
| Net increase (decrease) in cash and cash equivalents | 289,215 | 176,750 |
| CASH: | | |
| Beginning of year | 224,783 | 48,033 |
| End of year | \$ 513,998 | \$ 224,783 |
| FINANCIAL STATEMENT PRESENTATION RECONCILIATION: | | |
| Cash | \$ 60,295 | \$ 119,760 |
| Cash held in Humboldt County investment pool | 453,703 | 105,023 |
| Cash, end of the year | \$ 513,998 | \$ 224,783 |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | |
| Operating income (loss) | \$ (290,250) | \$ (288,357) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | |
| Depreciation | 59,568 | 59,996 |
| Change in assets and liabilities: | | |
| (Increase) decrease in accounts receivable | (13,753) | (9,330) |
| (Increase) decrease in prepaid expenses | - | 6,865 |
| (Increase) decrease in inventory | (3,281) | 699 |
| Increase(decrease) in accounts payable | 4,762 | (2,355) |
| Increase(decrease) in accrued payroll | 2,496 | (255) |
| Increase(decrease) in deferred revenue | - | 5,158 |
| Increase(decrease) in other payables | (292) | 6,077 |
| Loan payable - RREDC | (4,840) | - |
| Net cash provided (used) by operating activities | \$ (245,590) | \$ (221,502) |

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, 2022

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, 2022

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, 2022

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, 2022, and 2021, 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, 2022

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 | \$ - | \$ - | \$ - | \$ 60,295 | \$ 60,295 |
| Cash held in Humboldt Co. investment pool | - | - | - | 453,703 | 453,703 |
| Total cash and cash equivalents | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 513,998</u> | <u>\$ 513,998</u> |
| Financial Statement presentation: | | | | | |
| Cash | | | | | \$ 513,998 |
| Total | | | | | <u>\$ 513,998</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, 2022

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.

| Authorized Investment Type | Maximum Maturity | Maximum Percentage of Portfolio |
|------------------------------------|------------------|---------------------------------|
| 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, 2022

Notes to Basic Financial Statements, Continued

3. CAPITAL ASSETS

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

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

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

| | July 1, 2020 | Additions | Deletions | June 30, 2021 |
|------------------------------------|--------------------|--------------------|-----------------|--------------------|
| Nondepreciable assets: | | | | |
| Land | \$ 33,770 | \$ - | \$ - | \$ 33,770 |
| Total nondepreciable assets | <u>33,770</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>1,831,145</u> |
| Accumulated depreciation: | <u>(1,345,921)</u> | <u>(59,966)</u> | <u>23,113</u> | <u>(1,382,774)</u> |
| Net depreciable assets | <u>496,231</u> | <u>(47,860)</u> | <u>-</u> | <u>448,371</u> |
| Total capital assets | <u>\$ 530,001</u> | <u>\$ (47,860)</u> | <u>\$ -</u> | <u>\$ 482,141</u> |

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

North Humboldt Recreation and Park District
Basic Financial Statements
For the year ended June 30, 2022

Notes to Basic Financial Statements, Continued

4. LINE OF CREDIT

Loan activity as of June 30, 2022:

| | July 1, 2021 | Additions | Retirements | Adjustments | June 30, 2022 | Due Within One Year |
|--------------------|---------------|-----------|----------------|-------------|---------------|------------------------|
| Loan payable RREDC | \$ 23,809 | \$ - | \$ (4,833) | \$ - | \$ 18,976 | \$ 4,962 |
| Total | <u>23,809</u> | <u>-</u> | <u>(4,833)</u> | <u>-</u> | <u>18,976</u> | <u>4,962</u> |

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, 2022, the outstanding balance on the line of credit was \$18,976.

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, 2022

Notes to Basic Financial Statements, Continued

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

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 as of the date of this report. Two mandated complete shutdowns in 2020 and 2021 had significant effect on the pool’s operations and staffing. Recovery from the shutdowns and the pandemic itself has been slow and uneven. Staffing levels, program offerings, and customer participation have not recovered to pre-pandemic levels.

The District received two significant COVID related allocations during 2021-22. These allocations were the result of planning during the previous fiscal year to mitigate the financial impact of the pandemic and depleted cash reserves:

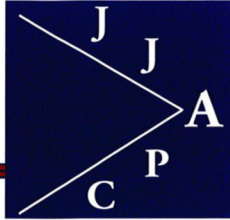
- The District has received \$290,858 for lost revenues from the \$100M Special District Relief Fund that has been allocated by the state from Federal ARPA funds for Special Districts.
- The District has been allocated \$25,000 from the City of Arcata for recovery of lost revenues from their allocations from the Federal ARPA funds.

Management believes that its financial resources will be adequate to support operations for the foreseeable future and intends to continually assess and mitigate the impacts of the COVID-19 pandemic.

9. SUBSEQUENT EVENTS

The District’s management has evaluated subsequent events through January 17, 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
Arcata, 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, 2022, 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 January 17, 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.

January 17, 2023

JJACPA, Inc.

JJACPA, Inc.
Dublin, CA