

ORICK COMMUNITY SERVICES DISTRICT

FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED

JUNE 30, 2021 AND JUNE 30, 2020

**Orick Community
Services District**

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**Orick Community Services District
Annual Financial Report
For the years ended June 30, 2021 and June 30, 2020**

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Annual Financial Report
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**Orick Community Services District
Annual Financial Report
For the years ended June 30, 2021 and June 30, 2020**

Directory of officials

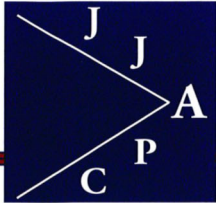
District Board of Directors

- Ron Barlow
- Bob Secor
- Byron Frick
- Doug Comstock
- Brianna Denlis

District Officials

- Trevor Avram, Maintenance Water Operator
- Barbara Mitchell, Bookkeeper
- Billy Jo Allen, Maintenance Backup
- Marcie Allen, Part-time Clerk

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JJACPA, Inc.

A Professional Accounting Services Corp.

INDEPENDENT AUDITOR'S REPORT

To the Honorable Chairman and District Board
of the Orick Community Services District
Orick, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and budgetary comparison information of the Orick Community Services District (District), as of and for the years ended June 30, 2021 and June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and the major fund and budgetary comparison information of the District, as of June 30, 2021 and June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the two years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that budgetary comparison information on page 15 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2022 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 District's internal control over financial reporting and compliance.

JJACPA, Inc.
JJACPA, Inc.
Fort Bragg, California

August 8, 2022

BASIC FINANCIAL STATEMENTS

Orick Community Services District
Statement of Net Position
June 30, 2021 and June 30, 2020

	Governmental Activities	Business-type Activities
	2021	2021
ASSETS		
Current assets:		
Cash and investments	\$ 303,086	\$ 154,117
Receivables, net	3,405	8,377
Prepaid Expense	-	-
Total current assets	306,491	162,494
Internal balances	89,677	(89,677)
Noncurrent assets:		
Capital assets, net	132,875	297,798
Total noncurrent assets	132,875	297,798
Total assets	529,043	370,615
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ -	\$ 3,645
Customer deposits	-	4,064
Current portion of long-term liabilities	-	3,653
Total current liabilities	-	11,362
Noncurrent liabilities:		
Notes payable	-	68,708
Total noncurrent liabilities	-	68,708
Total liabilities	-	80,070
NET POSITION		
Net investment in capital assets	132,875	229,090
Unrestricted net position	396,168	61,455
Total net position (deficit)	529,043	290,545
Total liabilities and net position	\$ 529,043	\$ 370,615

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

Governmental Activities	Business-type Activities
2020	2020
\$ 292,312	\$ 124,196
-	9,844
-	-
<u>292,312</u>	<u>134,040</u>
88,039	(88,039)
161,725	321,827
<u>161,725</u>	<u>321,827</u>
<u>542,076</u>	<u>367,828</u>
\$ -	\$ 2,508
-	3,559
-	3,563
<u>-</u>	<u>9,630</u>
-	72,880
-	72,880
<u>-</u>	<u>82,510</u>
161,725	248,947
<u>380,351</u>	<u>36,371</u>
<u>542,076</u>	<u>285,318</u>
<u>\$ 542,076</u>	<u>\$ 367,828</u>

Orick Community Services District

Statement of Activities

For the years ended June 30, 2021 and June 30, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Fire protection - operations	\$ 67,323	\$ -	\$ -	\$ -
Business-type activities:				
Water operations	91,073	95,111	-	-
Total governmental activities	\$ 158,396	\$ 95,111	\$ -	\$ -

General revenues:

Taxes:

- Property taxes
- Community hall rent
- Investment earnings
- Other Revenues

Total general revenues

Change in net position

Net position:

- Net position - beginning
- Net position - ending

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

Net (Expense) Revenue and Changes in Net Position			Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	2021	2020		
			Governmental Activities	Business-type Activities	
\$ (67,323)	\$ -	\$ (67,323)	\$ (73,474)	\$ -	
-	4,038	4,038	-	(35,698)	
\$ (67,323)	\$ 4,038	\$ (63,285)	\$ (73,474)	\$ (35,698)	
45,531		45,531	42,992	-	
4,200		4,200	4,825		
4,542	1,518	6,060	3,564	1,859	
17	-	17	682		
54,290	1,518	55,808	52,063	1,859	
(13,033)	5,556	(7,477)	(21,411)	(33,839)	
542,076	284,989	827,065	563,487	319,157	
\$ 529,043	\$ 290,545	\$ 819,588	\$ 542,076	\$ 285,318	

FUND FINANCIAL STATEMENTS

Orick Community Services District
Balance Sheet
 General Fund

	Major Fund	
	June 30,	
	2021	2020
	General Fund	General Fund
ASSETS		
Cash and investments	\$ 303,086	\$ 292,312
Receivables:		
Interest	3,405	-
Due from Water Fund	89,677	88,039
Total assets	\$ 396,168	\$ 380,351
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued liabilities	\$ -	\$ -
Total liabilities	-	-
Fund balances:		
Committed for equipment	4,000	4,000
Unassigned	392,168	376,351
Total fund balances	396,168	380,351
Total liabilities and fund balances	\$ 396,168	\$ 380,351

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

Orick Community Services District
Reconciliation of the General Fund Balance Sheet
to the Statement of Net Position

	<u>2021</u>	<u>2020</u>
Total fund balances reported on the governmental fund balance sheet	\$ 396,168	380,351
<p>Amounts reported for governmental activities in the Statement of Net Position are different from those reported in the Governmental Funds due to the following:</p>		
CAPITAL ASSETS		
Capital assets amount reported in governmental activities are not current assets or financial resources and therefore are not reported in the Governmental Funds balance sheet.	<u>132,875</u>	<u>161,725</u>
Net position of governmental activities	<u>\$ 529,043</u>	<u>\$ 542,076</u>

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

Orick Community Services District
Reconciliation of Fund Basis Balance Sheet to Government-wide
Statement of Net Position
Governmental Activities
June 30, 2021

ASSETS	General		Changes in GAAP	Statement of Net Position
	Fund Balance Sheet	Reclass		
Current assets:				
Cash and investments	\$ 303,086	\$ -	\$ -	\$ 303,086
Restricted cash and investments		-	-	-
Receivables (net)	3,405	-	-	3,405
Internal balances	-	89,677		89,677
Due from Water Fund	89,677	(89,677)	-	-
Total current assets	396,168	-	-	396,168
Noncurrent assets:				
Capital assets, net	-	-	132,875	132,875
Total noncurrent assets	-	-	132,875	132,875
Total assets	\$ 396,168	\$ -	\$ 132,875	\$ 529,043
LIABILITIES				
Current liabilities:				
Accounts payable & accrued liabilities	\$ -	\$ -	\$ -	\$ -
Total current liabilities	-	-	-	-
Noncurrent liabilities:				
Due after one year	-	-	-	-
Total noncurrent liabilities	-	-	-	-
Total liabilities	-	-	-	-
FUND BALANCES/NET POSITION				
Fund balances:				
Committed	4,000	(4,000)	-	-
Unassigned	392,168	(392,168)	-	-
Net position:				
Net investment in capital assets	-	-	132,875	132,875
Restricted	-	-	-	-
Unrestricted	-	-	396,168	396,168
Total fund balances/net position	396,168	(396,168)	529,043	529,043
Total liabilities and net position	\$ 396,168	\$ (396,168)	\$ 529,043	\$ 529,043

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

Orick Community Services District
Reconciliation of Fund Basis Balance Sheet to Government-wide
Statement of Net Position
Governmental Activities
June 30, 2020

ASSETS	General		Changes in GAAP	Statement of Net Position
	Fund Balance Sheet	Reclass		
Current assets:				
Cash and investments	\$ 292,312	\$ -	\$ -	\$ 292,312
Restricted cash and investments	-	-	-	-
Receivables (net)	-	-	-	-
Internal balances		88,039		88,039
Due from Water Fund	88,039	(88,039)	-	-
Total current assets	380,351	-	-	380,351
Noncurrent assets:				
Capital assets, net	-	-	161,725	161,725
Total noncurrent assets	-	-	161,725	161,725
Total assets	\$ 380,351	\$ -	\$ 161,725	\$ 542,076
LIABILITIES				
Current liabilities:				
Accounts payable & accrued liabilities	\$ -	\$ -	\$ -	\$ -
Total current liabilities	-	-	-	-
Total liabilities	-	-	-	-
FUND BALANCES/NET POSITION				
Fund balances:				
Committed	4,000	(4,000)	-	-
Unassigned	376,351	(376,351)	-	-
Net position:				
Net investment in capital assets	-	-	161,725	161,725
Restricted	-	-	-	-
Unrestricted	-	380,351	-	380,351
Total fund balances/net position	380,351	-	161,725	542,076
Total liabilities and net position	\$ 380,351	\$ -	\$ 161,725	\$ 542,076

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

Orick Community Services District
Statement of Revenues, Expenditures, and Changes in Fund Balances
General Fund

	Major Fund	
	June 30,	
	2021	2020
	General Fund	General Fund
REVENUES:		
Property taxes:		
Current secured	\$ 43,598	\$ 38,639
Current unsecured	1,701	1,688
Prior years	21	20
Current supplemental	-	622
Prior supplemental	134	111
Homowners' property tax relief	-	465
Prop 172 fire revenue	-	1,447
State timber yield	77	-
Rentals	4,200	4,825
Interest income	4,542	3,564
Other revenues	17	682
Total revenues	54,290	52,063
EXPENDITURES:		
Current:		
Fire protection and community services	38,473	34,148
Capital outlay	-	1,251
Total expenditures	38,473	35,399
REVENUES OVER EXPENDITURES	15,817	16,664
Net change in fund balances	15,817	16,664
FUND BALANCES:		
Beginning of year	380,351	363,687
End of year	\$ 396,168	\$ 380,351

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

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Orick Community Services District
Reconciliation of Fund Based Statements to
Government-wide Statement of Activities

For the year ended June 30, 2021

<u>Functions/Programs</u>	<u>Fund Based Totals</u>	<u>Depreciation</u>	<u>Capital Asset (Additions)/ Retirements</u>	<u>Government- wide Totals</u>
Governmental activities:				
Fire protection and community services	\$ 38,473	\$ 28,850	\$ -	\$ 67,323
Capital outlay	-	-	-	-
Total governmental activities	<u>\$ 38,473</u>	<u>\$ 28,850</u>	<u>\$ -</u>	<u>\$ 67,323</u>

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

Orick Community Services District
Reconciliation of Fund Based Statements to
Government-wide Statement of Activities

For the year ended June 30, 2020

<u>Functions/Programs</u>	<u>Fund Based Totals</u>	<u>Depreciation</u>	<u>Capital Asset (Additions)/ Retirements</u>	<u>Government- wide Totals</u>
Governmental activities:				
Fire protection and community services	\$ 35,399	\$ 39,326	\$ (1,251)	\$ 73,474
Capital outlay	-	-	-	-
Total governmental activities	<u>\$ 35,399</u>	<u>\$ 39,326</u>	<u>\$ (1,251)</u>	<u>\$ 73,474</u>

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

Orick Community Services District
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities

	<u>2021</u>	<u>2020</u>
Net change in fund balances - total governmental funds	\$ 15,817	16,664
Amounts reported for governmental activities in the Statement of Activities are different because of the following:		
CAPITAL ASSET TRANSACTIONS		
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense:		
Capital asset additions	-	1,251
Depreciation expense	(28,850)	(39,326)
Capital asset retirements	-	-
	<u>(28,850)</u>	<u>-</u>
Change in net position of governmental activities	<u>\$ (13,033)</u>	<u>\$ (21,411)</u>

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

Orick Community Services District

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual - General Fund

For the year ended June 30, 2021

	Original Budget	Amended Budget	Actual	Variance With Amended Positive (Negative)
REVENUES:				
Property taxes:				
Current secured	\$ 40,000	\$ 40,000	\$ 43,598	\$ 3,598
Current unsecured	1,680	1,680	1,701	21
Prior years	-	-	21	21
Current supplemental	-	-	-	-
Prior supplemental	-	-	134	134
Homowners' property tax relief	-	-	-	-
Prop 172 fire revenue	-	-	-	-
State timber yield	-	-	77	77
Rentals	4,200	4,200	4,200	-
Interest income	1,145	1,145	4,542	3,397
Other revenues			17	17
Total revenues	47,025	47,025	54,290	7,265
EXPENDITURES:				
Current:				
Fire protection	34,575	34,575	36,046	(1,471)
Community services	5,200	5,200	2,427	2,773
Capital outlay	-	-	-	-
Total expenditures	39,775	39,775	38,473	1,302
REVENUES OVER EXPENDITURES	7,250	7,250	15,817	8,567
Net change in fund balances	7,250	7,250	15,817	8,567
FUND BALANCES:				
Beginning of year	380,351	380,351	380,351	-
End of year	\$ 387,601	\$ 387,601	\$ 396,168	\$ 8,567

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

Orick Community Services District

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual - General Fund

For the year ended June 30, 2020

	Original Budget	Amended Budget	Actual	Variance With Amended Positive (Negative)
REVENUES:				
Property taxes:				
Current secured	\$ 40,000	\$ 40,000	\$ 38,639	\$ (1,361)
Current unsecured	1,654	1,654	1,688	34
Prior years	-	-	20	20
Current supplemental	-	-	622	622
Prior supplemental	-	-	111	111
Homowners' property tax relief	-	-	465	465
Prop 172 fire revenue	-	-	1,447	1,447
State timber yield	-	-	-	-
Rentals	4,600	4,600	4,825	225
Interest income	1,273	1,273	3,564	2,291
Other revenues	-	-	682	682
Total revenues	47,527	47,527	52,063	4,536
EXPENDITURES:				
Current:				
Fire protection	30,725	30,725	28,879	1,846
Community services	9,800	9,800	5,269	4,531
Capital outlay	-	-	1,251	(1,251)
Total expenditures	40,525	40,525	35,399	6,377
REVENUES OVER EXPENDITURES	7,002	7,002	16,664	9,662
Net change in fund balances	7,002	7,002	16,664	9,662
FUND BALANCES:				
Beginning of year	363,687	363,687	363,687	-
End of year	<u>\$ 370,689</u>	<u>\$ 370,689</u>	<u>\$ 380,351</u>	<u>\$ 9,662</u>

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

Orick Community Services District
Statements of Net Position
Water Enterprise Fund
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets:		
Cash and investments	\$ 154,117	\$ 124,196
Receivables:		
Accounts (net of allowance)	8,377	9,844
Interest	-	-
Total current assets	<u>162,494</u>	<u>134,040</u>
Noncurrent assets:		
Capital assets, net	297,798	321,827
Total assets	<u><u>460,292</u></u>	<u><u>455,867</u></u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,645	\$ 2,508
Due to other funds	89,677	88,039
Customer deposits	4,064	3,559
Current portion of notes payable	3,653	3,563
Total current liabilities	<u>101,039</u>	<u>97,669</u>
Noncurrent liabilities:		
Notes payable	68,708	72,880
Total liabilities	<u>169,747</u>	<u>170,549</u>
Net Position:		
Net investment in capital assets	229,090	248,947
Unrestricted	61,455	36,371
Total Net Position	<u>290,545</u>	<u>285,318</u>
Total liabilities and net position	<u><u>\$ 460,292</u></u>	<u><u>\$ 455,867</u></u>

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

Orick Community Services District
Statements of Revenues, Expenses, and Changes in Fund Net Position
Water Enterprise Fund
For the years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES:		
Charges for services	\$ 82,582	\$ 66,510
Other	12,529	4,400
Total operating revenues	<u>95,111</u>	<u>70,910</u>
OPERATING EXPENSES:		
Operating materials, supplies and services	67,046	82,479
Depreciation	24,027	24,129
Total operating expenses	<u>91,073</u>	<u>106,608</u>
OPERATING INCOME(LOSS)	<u>4,038</u>	<u>(35,698)</u>
NONOPERATING REVENUES:		
Interest revenue	1,518	1,859
Total non-operating revenues, net	<u>1,518</u>	<u>1,859</u>
CHANGE IN NET POSITION	5,556	(33,839)
NET POSITION:		
Beginning of year	284,989	319,157
End of year	<u>\$ 290,545</u>	<u>\$ 285,318</u>

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

Orick Community Services District
Statement of Cash Flows
Water Enterprise Fund
For the years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received (refunds paid) from (to) customers/users for services provided	\$ 99,531	\$ 70,129
Cash payments to suppliers for goods and services	(30,308)	(42,015)
Cash payments to employees for services	(36,738)	(39,826)
Net cash provided by operating activities	<u>32,485</u>	<u>(11,712)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers received (paid)	-	8,622
Net cash used by noncapital financing activities	<u>-</u>	<u>8,622</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments on notes payable	(4,082)	(4,047)
Acquisition and construction of capital assets	-	-
Net cash (used) by capital and related financing activities	<u>(4,082)</u>	<u>(4,047)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income received	1,518	1,859
Net cash provided by investing activities	<u>1,518</u>	<u>1,859</u>
Net increase (decrease) in cash and cash equivalents	29,921	(5,278)
CASH AND CASH EQUIVALENTS:		
Beginning of year	124,196	129,474
End of year	<u>\$ 154,117</u>	<u>\$ 124,196</u>
Reconciliation of income from operations to net cash provided by operating activities:		
Operating income (loss)	\$ 4,038	\$ (35,698)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	24,027	24,129
(Increase) decrease in current assets:		
Accounts receivable	356	(781)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	-	549
Customer deposits	4,064	89
Net cash provided by operating activities	<u>\$ 32,485</u>	<u>\$ (11,712)</u>

There were no noncash investing, capital, or financing activities affecting recognized assets and liabilities for the years ended June 30, 2021 and 2020.

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

NOTES TO BASIC FINANCIAL STATEMENTS

Orick Community Services District
Notes to Basic Financial Statements
For the years ended June 30, 2021 and June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The more significant of these accounting policies are described below.

A. Description of the Reporting Entity

Orick Community Services District was formed by the Humboldt County Board of Supervisors in 1955. The District was formed to provide fire protection and water and sanitation services to the community of Orick, California and the nearby surrounding area.

The District has defined its reporting entity in accordance with accounting principles generally accepted in the United States of America, which provide guidance for determining which governmental activities, organizations, and functions should be included in the reporting entity. In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The primary criterion for including a potential component unit within the reporting entity is the governing body's financial accountability.

A primary governmental entity is financially accountable if it appoints a voting majority of a component unit's governing body and it is able to impose its will on the component unit, or if there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable if a component unit is fiscally dependent on the primary governmental entity regardless of whether the component unit has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board. Based upon the aforementioned oversight criteria, the District has no reportable component units.

B. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government. These statements distinguish between the governmental and business-type activities of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. All taxes and internally dedicated resources are reported as *general revenues* rather than program revenues.

Orick Community Services District
Notes to Basic Financial Statements, continued
For the years ended June 30, 2021 and June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Presentation, continued

In the government-wide financial statement, equity is reported as net position, and is made up of cumulative net earnings from operations, non-operating revenue and expenses, and capital contributions. The net position is reported in the following categories:

Net investment in capital assets- consists of capital assets, net of accumulated depreciation, reduced by balance owed on any borrowings used in the acquisition, construction or improvement of those assets.

Restricted - refers to that portion of net position that has constraints upon its use imposed by contributors, creditors, such as through debt covenants, or by laws of other governmental entities, or constraints by law through constitutional provisions or enabling legislation.

Unrestricted - net position is the component of net position that does not meet the definition of either “net investment in capital assets” or “restricted.”

Fund Financial Statements

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

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

Governmental Fund

The following is the District's major governmental fund:

General Fund - This fund accounts for all the financial resources not required to be accounted for in another fund. This fund consists primarily of general government type activities.

Proprietary Fund

The following is the District's major proprietary fund:

Water Enterprise Fund – This fund accounts for the District’s water and wastewater operations.

C. Measurement Focus

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

Orick Community Services District
Notes to Basic Financial Statements, continued
For the years ended June 30, 2021 and June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Governmental Fund Financial Statements, continued

C. Measurement Focus, continued

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

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

D. Basis of Accounting

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

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means the amount is collectible within the current period or soon enough thereafter to pay current liabilities. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

When applicable, the District reports deferred inflows on its combined balance sheet. Deferred inflows arise when a potential revenue source does not meet both the measurable and available criteria for recognition in the current period. Deferred inflows also arise when resources are received by the District before it has legal claim to them, as when grant monies are received prior to the occurrences of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has legal claim to the resources, deferred inflows are removed from the combined balance sheet and revenue is recognized.

E. Cash Deposits and Investments

The District’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The District pools cash and investments from all funds for the purpose of increasing income through investment activities. Highly liquid money market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Market value is used as fair value for those securities for which market quotations are readily available.

Orick Community Services District
Notes to Basic Financial Statements, continued
For the years ended June 30, 2021 and June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. The District currently reports no interfund transactions, including receivables and payables at year-end.

G. Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include intergovernmental subventions or grants, interest earnings, and expense reimbursements.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property tax and intergovernmental subventions since they are usually both measurable and available. Non-exchange transactions collectible but not available, such as property tax, are deferred in the fund financial statements in accordance with the modified accrual basis, but not deferred in the government-wide financial statements in accordance with the accrual basis.

Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. The District estimates and records an allowance for doubtful accounts based on prior experience.

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. In the governmental fund financial statements, prepaid items are offset with nonspendable fund balance to indicate they do not constitute current resources available for appropriation.

I. Capital Assets

The District's capital assets are valued at historical cost or estimated historical cost, if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Policy has set the capitalization threshold for reporting at \$1,000 and with a useful life greater than one year.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over assets estimated useful life using the straight-line method of depreciation. No depreciation is recorded in the year of disposition.

The range of estimated useful lives by type of asset is as follows:

Buildings and improvement	30 years
Vehicles	10-25 years
Equipment	5-15 years

Orick Community Services District
Notes to Basic Financial Statements, continued
For the years ended June 30, 2021 and June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Capital Assets, continued

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

J. Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. The long-term debt consists of compensated absences and a capital lease are presented as intangible assets and amortized on a straight-line basis over the life of the debt in the government-wide statements.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as revenue and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

K. Equity Classification

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

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

Orick Community Services District
Notes to Basic Financial Statements, continued
For the years ended June 30, 2021 and June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

K. Equity Classification, continued

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is classified as nonspendable, restricted, committed, assigned, or unassigned. The classifications for governmental funds are defined as follows by the District's Fund Balance Policy:

Nonspendable Fund Balance

- Assets that will never convert to cash (prepaid items, inventory)
- Assets that will not convert to cash soon enough to affect the current period (long-term notes or loans receivable).
- Resources that must be maintained intact pursuant to legal or contractual requirements (the principal of an endowment).

Restricted Fund Balance

- Resources that are subject to externally enforceable legal restrictions imposed by parties altogether outside the government (creditors, grantors, contributors and other governments).
- Resources that are subject to limitations imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance

- Self-imposed limitations set in place prior to the end of the period (encumbrances, economic contingencies and uncertainties).
- Limitation at the highest level of decision-making (Board) that requires formal action at the same level to remove.
- Board Resolution is required to be taken to establish, modify, or rescind a fund balance commitment.

Assigned Fund Balance

- Amounts in excess of nonspendable, restricted, and committed fund balance in funds other than the general fund automatically are reported as assigned fund balance.
- Fund Balance committed to pay for the subsequent year's budget deficit. The amount is equal to the projected excess of budgeted expenditures over budgeted revenues by fund.
- Assigned amounts for a specific purpose are as authorized by the District's Fire Chief or Administrative Services Director through its fund balance policy.

Unassigned Fund Balance

- Residual net resources.
- Total fund balance in the general fund in excess of nonspendable, restricted, committed and assigned fund balance (surplus).
- Excess of nonspendable, restricted, and committed fund balance over total fund balance (deficit).

Orick Community Services District
Notes to Basic Financial Statements, continued
For the years ended June 30, 2021 and June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. Equity Classification, continued

Fund Balance Policy

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain unrestricted fund balance in its District funds sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed and unassigned fund balances are considered unrestricted.

The purpose of the District's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

M. Revenues, Expenditures, and Expenses

Property Tax

Under California law, property taxes are assessed and collected by the counties up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to the cities in accordance with statutory regulations.

The District receives property taxes from the County of Humboldt, which has been assigned the responsibility for assessment, collections, and apportionment of property taxes for all taxing jurisdictions within the County. The secured property taxes are assessed on July 1 and the lien date is January 1. Secured property taxes are due in two installments on November 1 and February 1 and are delinquent after December 10 and April 10, respectively, for the secured roll. Based on a policy by the County called the Teeter Plan, 100% of the allocated taxes are transmitted by the County to the District, eliminating the need for an allowance for uncollectible. The County, in return, receives all penalties and interest. Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent if unpaid by August 31. Property tax revenues are recognized in the fiscal year they are received.

Stewardship, Compliance, and Accountability

It is the District's policy to adopt annual budgets. The District Board may amend the budget by motion during the fiscal year.

Expenditures may not legally exceed appropriations at the fund level. Appropriations lapse at the end of the fiscal year.

Orick Community Services District
Notes to Basic Financial Statements, continued
For the years ended June 30, 2021 and June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. Revenues, Expenditures, and Expenses, continued

Stewardship, Compliance, and Accountability, Continued

Budget information is presented for governmental fund types on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted revenue and expenditure amounts represent the original budget and all approved budget amendments.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Public meetings are conducted to obtain public comments. The District Board annually adopts the budget for the ensuing fiscal year prior to July 1st.
2. Legally adopted budgets and formal budgetary integration is employed as a management control device during the year for all Governmental, Proprietary and Fiduciary Fund Types.
3. Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the District is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller, returned to the taxpayers through revised tax rates or revised fees schedules, or an excess in one year may be offset against a deficit in the following year. For the fiscal year ended June 30, 2021, based on the calculations by the District, proceeds of taxes did not exceed the appropriations limit.
4. Budgeted appropriations for the General fund becomes effective each July 1st.

M. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

2. CASH AND INVESTMENTS

The District had the following cash and investments at June 30, 2021

	<u><1 year</u>	<u>1 to 5 years</u>	<u>Total</u>
Checking and savings accounts	\$ 101,416	\$ -	\$ 101,416
Petty cash	100	-	100
Certificate of deposit	63,826	-	63,826
Cash and investments with the County Treasurer	291,861	-	291,861
Total cash and investments	<u>\$ 457,203</u>	<u>\$ -</u>	<u>\$ 457,203</u>
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
Cash and investments	<u>\$ 303,086</u>	<u>\$ 154,117</u>	<u>\$ 457,203</u>
	<u>\$ 303,086</u>	<u>\$ 154,117</u>	<u>\$ 457,203</u>

Orick Community Services District
Notes to Basic Financial Statements, continued
For the years ended June 30, 2021 and June 30, 2020

2. CASH AND INVESTMENTS, Continued

The District had the following cash and investments at June 30, 2020

	<u><1 year</u>	<u>1 to 5 years</u>	<u>Total</u>
Checking and savings accounts	\$ 74,007	\$ -	\$ 74,007
Petty cash	100	-	100
Certificate of deposit	62,317	-	62,317
Cash and investments with the County Treasurer	280,084	-	280,084
Total cash and investments	<u>\$ 416,508</u>	<u>\$ -</u>	<u>\$ 416,508</u>
	<u>Governmental</u>	<u>Business-type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Cash and investments	\$ 292,312	\$ 124,196	\$ 416,508
	<u>\$ 292,312</u>	<u>\$ 124,196</u>	<u>\$ 416,508</u>

Investments in External Investment Pools

The District's investments with the County at June 30, 2021, included a portion of the pool funds invested in US Agency, Treasury & Municipal Notes, Commercial Paper, Certificates of Deposit, LAIF/Money Market Funds, and Repurchase Agreements.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Investment pools authorized under CA			
Statutes governed by Government Code	N/A	None	\$40 million
U.S. Treasury Obligations	5 years	None	None
Bank Savings Accounts	N/A	25%	None
Federal Agencies	5 years	75%	None
Commercial Paper	180 days	20%	None
Negotiable Certificates of Deposit	180 days	20%	None
Repurchase Agreements	180 days	20%	None
Corporate Debt	5 years	25%	None

Interest rate risk – In accordance with its investment policy, the District manages its exposures to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than 5 years.

Credit risk – As of June 30, 2021, the District's investments in money market funds were rated AAA by Standard & Poor's and Fitch Ratings, and AAA by Moody's Investors Service. The State of California Local Agency Investment Fund is not rated.

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

Orick Community Services District
Notes to Basic Financial Statements, continued
For the years ended June 30, 2021 and June 30, 2020

2. CASH AND INVESTMENTS, Continued

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

At June 30, 2021, the balances in financial institutions were \$140,624 and \$63,826 in a certificate of deposit, all of the balances in financial institutions were covered by federal depository insurance (Government Code Section 53630), by the pledging financial institution with assets held in a common pool for the District and other governmental agencies, but not in the name of the District.

Custodial credit risk – investments. For investments, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside counterparty. For the investments maintained by the District, no security was uninsured or unregistered or held by a brokerage firm which is also the counterparty for the security. As of June 30, 2021, the District’s investments in the County Treasury were held by the County, or it’s agent, and were insured up to specified limits as designated by the County’s investment policy. Please refer to the Humboldt County annual financial report for further details of the composition of its investments.

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 for governmental activities, was as follows:

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021
Governmental activities:				
Depreciable assets:				
Fire Department Equipment	406,770	-	-	406,770
Community Service Equipment	59,085	-	-	59,085
Total depreciable assets	<u>465,855</u>	<u>-</u>	<u>-</u>	<u>465,855</u>
Total	<u>465,855</u>	<u>-</u>	<u>-</u>	<u>465,855</u>
Accumulated depreciation:				
Depreciable assets	(304,130)	(28,850)	-	(332,980)
Total accumulated depreciation	<u>(304,130)</u>	<u>(28,850)</u>	<u>-</u>	<u>\$ (332,980)</u>
Total net capital assets	<u>\$ 161,725</u>	<u>\$ (28,850)</u>	<u>\$ -</u>	<u>\$ 132,875</u>

Orick Community Services District
Notes to Basic Financial Statements, continued
For the years ended June 30, 2021 and June 30, 2020

3. CAPITAL ASSETS, Continued

Capital asset activity for the year ended June 30, 2021 for business-type activities, was as follows:

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021
Business-type activities:				
Depreciable assets:				
Water System	1,112,468	-	-	1,112,468
Office Building and Equipment	9,728	-	-	9,728
Total depreciable assets	<u>1,122,196</u>	<u>-</u>	<u>-</u>	<u>1,122,196</u>
Total	<u>1,122,196</u>	<u>-</u>	<u>-</u>	<u>1,122,196</u>
Accumulated depreciation:				
Depreciable assets	(800,369)	(24,029)	-	(824,398)
Total accumulated depreciation	<u>(800,369)</u>	<u>(24,029)</u>	<u>-</u>	<u>\$ (824,398)</u>
Total net capital assets	<u>\$ 321,827</u>	<u>\$ (24,029)</u>	<u>\$ -</u>	<u>\$ 297,798</u>

Capital asset activity for the year ended June 30, 2020 for governmental activities, was as follows:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
Governmental activities:				
Depreciable assets:				
Fire Department Equipment	405,519	1,251	-	406,770
Community Service Equipment	59,085	-	-	59,085
Total depreciable assets	<u>464,604</u>	<u>1,251</u>	<u>-</u>	<u>465,855</u>
Total	<u>464,604</u>	<u>1,251</u>	<u>-</u>	<u>465,855</u>
Accumulated depreciation:				
Depreciable assets	(264,804)	(39,326)	-	(304,130)
Total accumulated depreciation	<u>(264,804)</u>	<u>(39,326)</u>	<u>-</u>	<u>\$ (304,130)</u>
Total net capital assets	<u>\$ 199,800</u>	<u>\$ (38,075)</u>	<u>\$ -</u>	<u>\$ 161,725</u>

Orick Community Services District
Notes to Basic Financial Statements, continued
For the years ended June 30, 2021 and June 30, 2020

3. CAPITAL ASSETS, Continued

Capital asset activity for the year ended June 30, 2020 for business-type activities, was as follows:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
Business-type activities:				
Depreciable assets:				
Water System	1,112,468	-	-	1,112,468
Office Building and Equipment	9,728	-	-	9,728
Total depreciable assets	<u>1,122,196</u>	<u>-</u>	<u>-</u>	<u>1,122,196</u>
Total	<u>1,122,196</u>	<u>-</u>	<u>-</u>	<u>1,122,196</u>
Accumulated depreciation:				
Depreciable assets	(775,939)	(24,430)	-	(800,369)
Total accumulated depreciation	<u>(775,939)</u>	<u>(24,430)</u>	<u>-</u>	<u>\$ (800,369)</u>
Total net capital assets	<u>\$ 346,257</u>	<u>\$ (24,430)</u>	<u>\$ -</u>	<u>\$ 321,827</u>

Depreciation expense for governmental activities was charged to the fire and community services function for \$80,164.

4. LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for business-type activities for the year ended June 30, 2021:

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021	Due Within One Year
Business-type activities:					
State of California Loan	\$ 69,060	\$ -	\$ (3,563)	\$ 65,497	\$ 3,653
Deferred interest	4,923	-	(329)	4,594	
National Park Service	2,460	-	(190)	2,270	
Total	<u>76,443</u>	<u>-</u>	<u>(4,082)</u>	<u>72,361</u>	<u>3,653</u>

The following is a summary of changes in long-term liabilities for business-type activities for the year ended June 30, 2020:

	Balance July 1, 2019	Additions	Retirements	Balance June 30, 2020	Due Within One Year
Business-type activities:					
State of California Loan	\$ 72,537	\$ -	\$ (3,477)	\$ 69,060	\$ 3,563
Deferred interest	5,251	-	(328)	4,923	
National Park Service	2,702	-	(242)	2,460	-
Total	<u>80,490</u>	<u>-</u>	<u>(4,047)</u>	<u>76,443</u>	<u>3,563</u>

Orick Community Services District
Notes to Basic Financial Statements, continued
For the years ended June 30, 2021 and June 30, 2020

4. LONG-TERM LIABILITIES, Continued

STATE OF CALIFORNIA LOAN

During the 1978-79 fiscal year, the District obtained a \$150,000 loan from the State of California under the Davis - Grunsky Act. These funds were used to construct a water source, pumping and distribution system. Repayment of interest and principal was deferred for ten years. Interest accrues at two and one-half percent and is payable semi-annually. Principal is payable annually over a fifty-year period.

NATIONAL PARK SERVICE PAYABLE

The amount payable to the National Park Service is a result of excess costs paid by the National Park Service related to connection of the Redwood Park Service's facilities to the District's water system in 1986. The original balance was \$11,250. Repayment terms provide that each monthly water service bill due by the National Park Service be reduced by one-third until the \$11,250 is exhausted. Loan terms include no interest. Remaining balance due at June 30, 2021 and 2020 is \$2,270 and \$2,460, respectively.

The future payments of the State of California Loan as of June 30, 2021, is as follows:

Year Ending June 30,	State of California Loan	
	Principal	Interest
2022	3,653	1,920
2023	3,744	1,828
2024	3,837	1,735
2025	3,933	1,634
2026	4,032	1,536
2027-2031	21,722	6,099
2032-2036	24,576	3,274
Total	<u>\$ 65,497</u>	<u>\$ 18,026</u>
Due within one year	\$ 3,653	\$ 1,920
Due after one year	61,844	16,106
Total	<u>\$ 65,497</u>	<u>\$ 18,026</u>

5. NET POSITION/FUND BALANCES

Net Position

As of June 30, 2021, net position is as follows:

<u>Net Position</u>	<u>Governmental Activities June 30, 2021</u>	<u>Business-type Activities June 30, 2021</u>
Net investment in capital assets	\$132,875	\$229,090
Unrestricted (deficit)	396,168	61,455
Total	<u>\$529,043</u>	<u>\$290,545</u>

Orick Community Services District
Notes to Basic Financial Statements, continued
For the years ended June 30, 2021 and June 30, 2020

5. NET POSITION/FUND BALANCES, Continued

As of June 30, 2020, net position is as follows:

<u>Net Position</u>	<u>Governmental Activities June 30, 2020</u>	<u>Business-type Activities June 30,2020</u>
Net investment in capital assets	\$161,725	\$248,947
Unrestricted (deficit)	380,351	36,371
Total	<u>\$542,076</u>	<u>\$285,318</u>

Fund Balance

As of June 30, 2021, the District's fund balances are as follows:

<u>Fund Balances</u>	<u>June 30, 2021</u>
Committed for Equipment	\$ 4,000
Unassigned	392,168
Total	<u>\$396,168</u>

As of June 30, 2020, the District's fund balances are as follows:

<u>Fund Balances</u>	<u>June 30, 2020</u>
Committed for Equipment	\$ 4,000
Unassigned	376,351
Total	<u>\$380,351</u>

The District considers restricted amounts to have been spent prior to unrestricted amounts when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Committed, assigned, and unassigned amounts, in this order, are considered to have been spent when an expenditure is incurred for which amounts in any of those unrestricted fund balance classifications could be used.

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; and natural disasters for which the District carries insurance. The District, due to the costs of available coverage, participates as a member of the Special District Risk Management Authority (SDRMA) for purposes of general liability, property coverages and for workers compensation insurance.

SDRMA provides joint protection programs for public entities covering automobile, general liability, errors and omissions claims. Under the program, the District has a \$500 retention limit similar to a deductible with the SDRMA being responsible for losses above that amount up to \$2.5 million for liability combined single limit. Property coverage is also provided up to the replacement cost of the property with a combined total for SDRMA members of one billion per occurrence.

The SDRMA provides also employee dishonesty coverage with limits of \$654,000 per loss. Boiler and machinery coverage is provided to members with coverage of up to \$100 million of replacement cost, and comprehensive and collision on selected vehicles. The District's obligations under the arrangement are to pay billed premiums for the specified coverages. The SDRMA may pay dividends to members or may make additional assessments depending on loss experience, but no dividends have been declared and no additional assessments have been levied. The SDRMA workers compensation insurance coverage is provided up to the statutory limits per occurrence and \$5 million for Employer's liability coverage subject to the terms, conditions, and exclusions provided in the memorandum of Coverage. The District obtained such coverage through the SDRMA effective July 1, 2019. Financial information pertaining to SDRMA can be obtained from its administrative offices at 1112 I Street, Suite 300, Sacramento, California 95814.

Orick Community Services District
Notes to Basic Financial Statements, continued
For the years ended June 30, 2021 and June 30, 2020

6. RISK MANAGEMENT, Continued

Liabilities of the District are reported in the statement of net position when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The District's only exposure to claim liabilities would be for losses or additional assessments, if any, not covered by or imposed by SDRMA.

There have been no significant changes in insurance coverages in fiscal years 2021 or 2020. Settlements have not exceeded coverage for each of the past three fiscal years. There were no significant claim liabilities at the end of fiscal 2021 or 2020.

7. NEW ACCOUNTING PRONOUNCEMENTS

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

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

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

Orick Community Services District
Notes to Basic Financial Statements, continued
For the years ended June 30, 2021 and June 30, 2020

7. NEW ACCOUNTING PRONOUNCEMENTS, Continued

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

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*
- Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*
- Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*
- Implementation Guide No. 2019-2, *Fiduciary Activities*.

The effective dates of the following pronouncements are postponed by 18 months:

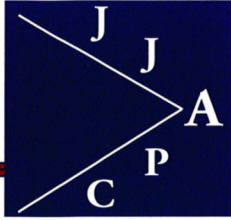
- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*.

Earlier application of the provisions addressed in this Statement is encouraged and is permitted to the extent specified in *each* pronouncement as originally issued.

8. PANDEMIC EFFECTS

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

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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**

Independent Auditor's Report

The Board of Directors
Orick Community Services District
Orick, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparison information of the Orick Community Services District (District), as of and for the years ended June 30, 2021 and June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 8, 2022.

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 the District's 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 a 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 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 consider to be material weaknesses. However, material weaknesses may exist that have not been 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 results 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.

August 8, 2022

JJACPA, Inc.
JJACPA, Inc.
Fort Bragg CA