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**MANILA COMMUNITY SERVICES DISTRICT
ANNUAL FINANCIAL REPORT
INDEPENDENT AUDITOR'S REPORTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2021**

**MANILA COMMUNITY SERVICES DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Manila Community Services District

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Manila Community Services District, California as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Manila Community Services 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-type Activities	Qualified
General Fund & Enterprise Fund	Qualified
Teen Fund	Unmodified

Basis for Qualified Opinions on All Opinion Units except Teen Fund

Management has not been able to provide sufficient information to demonstrate that the General Fund has the ability to repay the interfund loan payable to the enterprise fund within a reasonable period of time. Accounting principles generally accepted in the United States of America require that if repayment is not expected within a reasonable period of time, that the interfund balance should be reduced, and the lender fund should report a transfer to the borrower fund for the amount that is not expected to be repaid within a reasonable period of time. The balance of the interfund loan was \$158,341 at June 30, 2021.

Qualified Opinions

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinions on All Opinion Units except the Teen Fund paragraph, the financial statements referred to above present fairly, in all material respects the respective financial position of the governmental activities, business-type activities, general fund, and enterprise fund of the Manila Community Service District, California, as of June 30, 2021 and the respective changes in financial position thereof, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Teen Fund of the Manila Community Services District, California as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-10 and budgetary comparison information on page 29 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. I 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. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Manila Community Services District, California's basic financial statements. The supplementary information as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting

and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Don Cole & Company

Don Cole & Company
Sacramento, California

September 28, 2022

**MANILA COMMUNITY SERVICES DISTRICT
MANAGEMENT DISCUSSION & ANALYSIS
JUNE 30, 2021**

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

INTRODUCTION

As management of the Manila Community Services District (the District), we offer readers this discussion and analysis of the District's financial performance for the fiscal year ended June 30, 2021. Readers are encouraged to consider the information presented here in conjunction with additional information, which can be found in the District's financial statements that follow this discussion.

FINANCIAL HIGHLIGHTS

- The District's net position at the end of the year decreased by \$22,559 over the course of this year's operations. The net position of our business-type activities decreased by \$6,365 and there was a \$16,194 decrease in the net position of our governmental activities.
- During the year, the costs of operating the District's governmental activities were \$48,874 over related program revenues. The net position decrease of \$16,194 was offset using property tax and other revenues of \$32,680. Property taxes, rent revenues, and other user fees are used to fund the governmental activities.
- In the District's business-type activities, there was in fiscal 2021 a \$6,365 net decrease after depreciation charges of \$29,094.
- At year-end, there was \$135,892 in cash and investments to fund future governmental activities, and \$402,515 in cash and investments to fund future business-type activities.
- The General fund ended fiscal 2021 with a fund deficit of 47,123. This was an \$11,222 improvement over fiscal 2020. The Teen fund ended 2021 with a residual \$24,674 fund balance after curtailment of Teen fund programs and funding grants.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – management's *discussion and analysis* (this section), the *basic financial statements*, *notes to the basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District.

The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the District's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the District government, reporting the District's operations in more detail than the government-wide statements.

- The *governmental funds* statements tell how general government services like recreation, youth activities, the community center, and general administration were financed in the short term as well as what remains for future spending.
- *Proprietary fund* statements offer short- and long-term financial information about the activities the government operates like businesses, such as the water and wastewater operations.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS

Figure 1 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure 1

Major Features of Manila Community Services District Government-wide and Fund Financial Statements

	Fund Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire District	The activities of the District that is not proprietary or fiduciary, such as community center, parks and recreation	Activities the District operates similar to private businesses: the water and wastewater operations
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses, and changes in net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset / liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow / outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's *net position* and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health, or *position*.

Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District are divided into two categories:

- *Governmental Activities* – The District's basic services for community center activities, recreation and parks, youth programs and general government are included here. Rents, state and local grants, and charges for services finance most of these activities.
- *Business-Type Activities* – The District charges fees to customers to help it cover the costs of certain services it provides. The District's water and wastewater activities are included here.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

The Board of Directors establishes certain funds to control and manage money for particular purposes or to show that it is properly using certain grants (like youth program grants).

The District has two kinds of funds:

- *Governmental funds* – Community center, parks and recreation and district administration basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flows in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term view* that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental fund statements, or on the subsequent page, that explains the relationship (or differences) between them.
- *Proprietary Funds* – Services which are primarily supported by fees and charges for services, such as the water and wastewater, are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.

In fact, the District's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

Net Position. The District's *combined* net position decreased 22,559 between fiscal years 2020 and 2021.

Table 1
Summary of Net Position
Fiscal Years 2019-20 and 2020-21

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2020-2021
	2020	2021	2020	2021	2020	2021	
ASSETS:							
Current and other assets	\$ 132,670	\$ 135,892	\$ 483,145	\$ 477,232	\$ 615,815	\$ 613,124	0%
Internal balances	(166,341)	(158,341)	166,341	158,341	-	-	0%
Capital assets, net	<u>1,125,289</u>	<u>1,095,932</u>	<u>1,509,220</u>	<u>1,513,126</u>	<u>2,634,509</u>	<u>2,609,058</u>	-1%
Total assets	<u>\$ 1,091,618</u>	<u>\$ 1,073,483</u>	<u>\$ 2,158,706</u>	<u>\$ 2,148,699</u>	<u>\$ 3,250,324</u>	<u>\$ 3,222,182</u>	-1%
LIABILITIES:							
Current liabilities	\$ 2,212	\$ 271	\$ 64,849	\$ 61,207	\$ 67,061	\$ 61,478	-8%
Noncurrent liabilities	-	-	-	-	-	-	0%
Total liabilities	<u>\$ 2,212</u>	<u>\$ 271</u>	<u>\$ 64,849</u>	<u>\$ 61,207</u>	<u>\$ 67,061</u>	<u>\$ 61,478</u>	-8%
NET POSITION:							
Invested in capital assets	\$ 1,125,289	\$ 1,095,932	\$ 1,509,220	\$ 1,513,126	\$ 2,634,509	\$ 2,609,058	-1%
Restricted	24,674	24,674	138,111	141,620	162,785	166,294	2%
Unrestricted	<u>(60,557)</u>	<u>(47,394)</u>	<u>446,526</u>	<u>432,746</u>	<u>385,969</u>	<u>385,352</u>	0%
Total net position	<u>\$ 1,089,406</u>	<u>\$ 1,073,212</u>	<u>\$ 2,093,857</u>	<u>\$ 2,087,492</u>	<u>\$ 3,183,263</u>	<u>\$ 3,160,704</u>	-1%

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

Net position of the District's governmental activities decreased by \$16,194 to \$1.07 million. About 100% of the net position relating to governmental activities is represented by the District's investment in capital assets (land, equipment and facilities). The District has no significant debt relating to its governmental activities.

The net position of the District's business-type activities decreased slightly in fiscal year 2021. These resources generally cannot be used for governmental activities. The District uses these net resources to finance the continuing operations of the District's water and wastewater activities.

There was in fiscal 2021 a \$6,365 net decrease in the net position of the District business type activities. The District anticipates 100% grant funding to proceed with construction of water system improvements and the District has also been awarded \$2.5M from the California Natural Resources Agency to improve drainage.

Changes in net position. The District's total revenues in fiscal year 2021 were \$506,664 (see Table 2) which was about \$28,000 less than 2020 revenues. Most of this decrease was the result of lower grant revenues in 2021 than from 2020. Virtually 93 cents of every dollar raised by the District comes from charges for providing water, wastewater collection services, and community center rents and recreation fees. The remaining 7 cents of every dollar raised comes from property taxes and grants.

The total cost of all programs and services in fiscal 2021 increased \$47,885 to \$529,233. The District's expenses cover a range of services, with about 79% related to water and wastewater and the remaining 21% pertaining to the community center, parks and recreation activities.

Sources of revenues for the District's governmental and business type activities in fiscal 2021 were as follows:

<u>Sources of District revenues</u>	<u>Percentage</u>
Charges for services	93.3%
Operating & capital contributions	0.0%
Property taxes	6.4%
Other revenues	0.3%
Total sources	<u>100.0%</u>

Functional expenses of the District for fiscal 2021 were as follows:

<u>Expense category</u>	<u>Percentage</u>
Parks and recreation	6.5%
Community center	14.9%
Water	38.2%
Wastewater	40.4%
Total functional expenses by function	<u>100.0%</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

Revenues and expenses of the District

Table 2
Summary of Change in Net Position
Fiscal Years 2019-20 and 2020-21
(2020 rounded to the nearest hundred dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2020-2021
	2020	2021	2020	2021	2020	2021	
PROGRAM REVENUES:							
Charges for services	\$ 82,500	\$ 64,559	\$ 393,842	\$ 408,266	\$ 476,342	\$ 472,825	-0.7%
Capital contributions	-	-	20,558	-	20,558	-	-100.0%
GENERAL REVENUES:							
Property taxes	31,130	32,306	-	-	31,130	32,306	3.8%
Other revenues	1,527	374	5,027	1,159	6,554	1,533	-76.6%
Total revenues	115,157	97,239	419,427	409,425	534,584	506,664	-5.2%
EXPENSES:							
Parks and recreation	26,067	34,446	-	-	26,067	34,446	32.1%
Community center	77,477	78,988	-	-	77,477	78,988	1.9%
Water	-	-	178,085	202,185	178,085	202,185	13.5%
Wastewater	-	-	199,719	213,605	199,719	213,605	7.0%
Total expenses	103,544	113,433	377,804	415,790	481,348	529,223	9.9%
Change in net position	\$ 11,613	\$ (16,194)	\$ 41,623	\$ (6,365)	\$ 53,236	\$ (22,559)	-142.4%

The decrease in the District's net position in fiscal year 2021 compared to 2020 was largely due to the decrease in grant revenue and increases in expenses.

Governmental Activities

The governmental activities operated at a net loss of \$16,194, a decrease over the prior year. Expenses increased \$9,889 compared to 2020 with increases of \$8,379 and \$1,511 in the parks and recreation and the community center respectively. Most of these costs are funded by those who directly benefited from the programs and property taxes of about \$32,000.

Business-type Activities

The business-type activities operated at a net loss of \$6,365, a difference of about \$48,000 compared to 2020. There was about a \$10,000 decrease in revenues due to no capital contributions and \$14,424 increase in customer service revenues. Expenses in fiscal 2021 reported a combined increase of about \$38,000 compared to fiscal 2020.

FINANCIAL ANALYSIS OF THE FUND STATEMENTS

As the District completed the year, its governmental funds reported a *combined* fund deficit of \$22,449. This was an improvement of \$11,222 compared to the end of 2020.

The District's one enterprise fund ended the 2021 fiscal year with \$432,746 in unrestricted net position consisting primarily of cash and investments. In addition, the enterprise fund had \$123,949 in cash restricted for capital facilities and capital connection fees to be used for system connections.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

FINANCIAL ANALYSIS OF THE FUND STATEMENTS

General Fund and Teen Fund Budgetary Highlights

General fund spending was \$2,073 less than the final budgeted costs. General fund revenues were \$1,654 over what was anticipated for fiscal 2021 mostly from property taxes and rents.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2021, the District had invested \$2.6 million (after accumulated depreciation) in a broad range of capital assets, including land, buildings, equipment, vehicles, park facilities, community center, water treatment and distribution, and wastewater collection and treatment facilities. Additional information about the District's capital assets can be found on page 25 of this report.

Table 3
CAPITAL ASSETS, NET OF DEPRECIATION
Fiscal Years 2019-20 and 2020-21

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2020	2021	2020	2021	2020	2021	2020-2021
Land and work in progress	\$ 740,898	\$ 740,898	\$ 775,527	\$ 775,527	\$ 1,516,425	\$ 1,516,425	0.0%
Buildings and improvements	1,044,875	1,044,875	-	-	1,044,875	1,044,875	0.0%
Machinery and equipment	67,233	62,620	149,298	149,298	216,531	211,918	-2.1%
Water plant and system	-	-	342,988	375,988	342,988	375,988	9.6%
Wastewater system	-	-	5,461,310	5,461,310	5,461,310	5,461,310	0.0%
Total	1,853,006	1,848,393	6,729,123	6,762,123	8,582,129	8,610,516	0.3%
Accumulated depreciation	(727,717)	(752,461)	(5,219,903)	(5,248,997)	(5,947,620)	(6,001,458)	0.9%
Net capital assets	<u>\$ 1,125,289</u>	<u>\$ 1,095,932</u>	<u>\$ 1,509,220</u>	<u>\$ 1,513,126</u>	<u>\$ 2,634,509</u>	<u>\$ 2,609,058</u>	-1.0%

The District was awarded in fiscal 2017 a \$500,000 water system improvement grant by the State of California. The project was commenced in fiscal 2017 and continued in 2020. Construction funding is currently being pursued.

Long-term Debt

The District has been able to conduct its operations and maintain and develop its capital facilities and systems without the need to incur significant long-term borrowing except of a State Loan for water system improvements that was fully retired in fiscal 2018. The District has no long-term debt outstanding at year end.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the 2022 fiscal year, the general fund revenues are expected to remain stable.

Much of the 2022 fiscal year will be devoted to acquiring construction funding for water system improvements, flood protection and park improvement grant funds.

The District's wastewater system is approaching the end of its useful life and may need replacement or modernization in the near future. The District is considering financing such system improvements through State grant programs. The District is expecting financial assistance from the State in the form of grants to modernize its water and wastewater facilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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 demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the General Manager, Manila Community Services District, 1901 Park Street, Arcata, California 95521.

**MANILA COMMUNITY SERVICES DISTRICT
BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

MANILA COMMUNITY SERVICES DISTRICT

GOVERNMENT-WIDE STATEMENT OF NET POSITION AS OF JUNE 30, 2021

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 135,892	\$ 260,895	\$ 396,787
Accounts receivables, net	-	60,454	60,454
Inventory	-	14,263	14,263
Total current assets	135,892	335,612	471,504
Restricted assets:			
Restricted cash and cash equivalents	-	141,620	141,620
Total restricted assets	-	141,620	141,620
Noncurrent assets:			
Internal balances	(158,341)	158,341	-
Net capital assets	1,095,932	1,513,126	2,609,058
Total noncurrent assets	937,591	1,671,467	2,609,058
Total assets	\$ 1,073,483	\$ 2,148,699	\$ 3,222,182
LIABILITIES:			
Current liabilities:			
Accounts payable	\$ -	\$ 6,668	\$ 6,668
Accrued payroll	-	889	889
Deposits	-	17,146	17,146
Compensated absences	271	10,349	10,620
Unearned capital connections	-	26,155	26,155
Total current liabilities	271	61,207	61,478
Total liabilities	\$ 271	\$ 61,207	\$ 61,478
NET POSITION:			
Invested in capital assets, net of related debt	\$ 1,095,932	\$ 1,513,126	\$ 2,609,058
Restricted for:			
Debt service	-	17,671	17,674
Capital projects	-	123,949	123,949
Teen programs	24,674	-	24,674
Unrestricted	(47,394)	432,746	385,352
Total net position	\$ 1,073,212	\$ 2,087,492	\$ 3,160,704

See accompanying notes to basic financial statements

MANILA COMMUNITY SERVICES DISTRICT

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Functions/Programs	Program Revenues				Net (Expenses) Revenue		
	Operating Expenses	Charges for Services	Grants and Other Contributions		Governmental Activities	Business-type Activities	Total
			Operating	Capital			
Governmental activities:							
Parks and recreation	\$ 34,446	\$ 499	\$ -	\$ -	\$ (33,947)	\$ -	\$ (33,947)
Community center	<u>78,988</u>	<u>64,060</u>	<u>-</u>	<u>-</u>	<u>(14,928)</u>	<u>-</u>	<u>(14,928)</u>
Total governmental activities	<u>113,433</u>	<u>64,559</u>	<u>-</u>	<u>-</u>	<u>(48,874)</u>	<u>-</u>	<u>(48,874)</u>
Business-type activities:							
Water	202,185	212,100	-	-	-	9,915	9,915
Wastewater	<u>213,605</u>	<u>196,166</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,439)</u>	<u>(17,439)</u>
Total business-type activities	<u>415,790</u>	<u>408,266</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,524)</u>	<u>(7,524)</u>
Total District government	<u>\$ 529,223</u>	<u>\$ 472,825</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(48,874)</u>	<u>(7,524)</u>	<u>(56,398)</u>
General revenues:							
Property taxes					32,306	-	32,306
Interest and investment earnings					<u>374</u>	<u>1,159</u>	<u>1,533</u>
Total general revenues and transfers					<u>32,680</u>	<u>1,159</u>	<u>33,839</u>
Changes in net position					(16,194)	(6,365)	(22,559)
Net position, beginning of year					<u>1,089,406</u>	<u>2,093,857</u>	<u>3,183,263</u>
Net position, end of year					<u>\$ 1,073,212</u>	<u>\$ 2,093,857</u>	<u>\$ 3,160,704</u>

See accompanying notes to basic financial statements

MANILA COMMUNITY SERVICES DISTRICT

BALANCE SHEET GOVERNMENTAL FUNDS AS OF JUNE 30, 2021

	Major	Non-major	
	General Fund	Teen Fund	Total Governmental Funds
ASSETS:			
Cash and cash equivalents:			
Cash in bank	\$ 18,478	\$ -	\$ 18,478
Cash with Humboldt County	117,414	-	117,414
Due from other funds	-	24,674	24,674
Total assets	\$ 135,892	\$ 24,674	\$ 160,566
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Due to other funds	\$ 24,674	\$ -	\$ 24,674
Advances from other funds	158,341	-	158,341
Total liabilities	183,015	-	183,015
FUND BALANCES:			
Restricted for teen programs	-	24,674	24,674
Unassigned	(47,123)	-	(47,123)
Total fund balances	(47,123)	24,674	(22,449)
Total liabilities and fund balances	\$ 135,892	\$ 24,674	\$ 160,566

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

Total fund balances, governmental funds	\$ (22,449)
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets	1,848,393
Accumulated depreciation	(752,461)
Compensated absences do not require the use of current financial resources and are not reported in the funds.	
	(271)
Total net position – governmental activities	\$ 1,073,212

See accompanying notes to basic financial statements

MANILA COMMUNITY SERVICES DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Major	Non-major	Total
	General Fund	Teen Fund	Governmental Funds
REVENUES:			
Rents	\$ 64,559	\$ -	\$ 64,559
Property taxes	32,306	-	32,306
Interest income	374	-	374
Total revenues	97,239	-	97,239
EXPENDITURES:			
Parks	32,561	-	32,561
Community center	53,456	-	53,456
Total expenditures	86,017	-	86,017
Net change in fund balance	11,222	-	11,222
Fund balance, July 1	(58,345)	24,674	(33,671)
Fund balance, June 30	\$ (47,123)	\$ 24,674	\$ (22,449)

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Total net change in fund balance, governmental funds	\$ 11,222
Amounts reported for governmental activities in the statement of activities are different from amounts reported in government funds because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.	
Depreciation expense	(29,357)
Governmental funds reported compensated absences when they become due and payable and require the use of current financial resources	1,941
Change in net position – governmental activities	\$ (16,194)

See accompanying notes to basic financial statements

MANILA COMMUNITY SERVICES DISTRICT

STATEMENT OF NET POSITION – PROPRIETARY FUND AS OF JUNE 30, 2021

	<u>Major</u>
ASSETS:	
Current assets:	
Cash and cash equivalents:	
Cash in bank	\$ 75,144
Cash with Humboldt County	172,577
Local agency investment fund	13,174
Accounts receivables, net	60,454
Materials and supplies inventory	<u>14,263</u>
Total current assets	<u>335,612</u>
Restricted assets:	
Cash equivalents – debt service	17,671
Cash equivalents – capital projects	<u>123,475</u>
Total restricted assets	<u>141,620</u>
Capital assets:	
Capital assets not being depreciated	775,528
Capital assets being depreciated:	
Buildings and improvements	5,837,297
Machinery and equipment	149,298
Less accumulated depreciation	<u>(5,248,997)</u>
Net capital assets	<u>1,513,126</u>
Other assets:	
Advances to other funds	<u>158,341</u>
Total other assets	<u>158,341</u>
Total assets	<u>\$ 2,148,699</u>
LIABILITIES:	
Current liabilities:	
Accounts payable	\$ 6,668
Accrued liabilities	889
Customer deposits	17,146
Unearned capital connections	26,155
Compensated absences	<u>10,349</u>
Total current liabilities	<u>61,207</u>
Total liabilities	<u>\$ 61,207</u>
NET POSITION:	
Invested in capital assets, net of related debt	\$ 1,513,126
Restricted for debt service	17,671
Restricted for capital projects	123,949
Unrestricted	<u>432,746</u>
Total net position	<u>\$ 2,087,492</u>

See accompanying notes to basic financial statements

MANILA COMMUNITY SERVICES DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<u>Major</u>
OPERATING REVENUES:	
Charges for services	\$ 398,247
Other operating revenue	<u>10,019</u>
Total operating revenues	<u>408,266</u>
OPERATING EXPENDITURES:	
Salaries, wages and benefits	188,615
Administration	27,260
Maintenance	46,169
Professional fees	4,345
Travel and utilities	38,904
Water purchases	76,850
Other expenses	4,553
Depreciation	<u>29,094</u>
Total operating expenses	<u>415,790</u>
Operating income (loss)	<u>(7,524)</u>
NONOPERATING REVENUES:	
Interest revenue	<u>1,159</u>
Total nonoperating revenue	<u>1,159</u>
Change in net position	<u>(6,365)</u>
Net position, July 1	<u>2,093,857</u>
Net position, June 30	<u>\$ 2,087,492</u>

See accompanying notes to basic financial statements

MANILA COMMUNITY SERVICES DISTRICT

STATEMENT OF CASH FLOWS – PROPRIETARY FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Major
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 397,992
Cash payments to suppliers for goods and services	(198,338)
Cash payments to employees for wages and benefits	<u>(191,684)</u>
Net cash provided by (used for) operating activities	<u>7,970</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Advances to other funds	<u>8,000</u>
Net cash provided by noncapital financing activities	<u>8,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of capital assets	<u>(33,000)</u>
Net cash provided by (used for) capital and related financing activities	<u>(33,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment interest received	<u>1,159</u>
Net cash provided by investing activities	<u>1,159</u>
Increase (decrease) in cash and cash equivalents	(15,871)
Cash and investments, beginning of the year	<u>418,386</u>
Cash and investments, end of the year	<u>\$ 402,515</u>
Cash in bank	\$ 75,144
Cash with Humboldt County	172,577
Local agency investment fund	13,174
Restricted cash	<u>141,620</u>
Cash and cash equivalents, end of the year	<u>\$ 402,515</u>
Reconciliation of operating income (loss) to cash provided by (used for) operating activities:	
Operating income (loss)	\$ (7,524)
Adjustments to reconcile operating income to cash provided (used) by operating activities:	
Non-cash items:	
Depreciation expense	29,094
(Increase) decrease in assets:	
Accounts receivable, net	(9,958)
Increase (decrease) in liabilities:	
Accounts payable	(257)
Deposits	(316)
Payroll liabilities	(751)
Compensated absences	<u>(2,318)</u>
Net cash provided by (used for) operating activities	<u>\$ 7,970</u>

See accompanying notes to basic financial statements

MANILA COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Manila Community Services District (District) is governed entity administered by a Board of Directors (Board) that acts as the authoritative and legislative body of the entity. The Board is comprised of five board members who are elected by voters living within the District's boundaries. The reporting entity for the District includes all the funds and operations under the jurisdiction of the District. There are no component or blended component units that are part of the District's operations.

Accounting Policies

The District operates as a self-governing governmental unit within the State of California. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB).

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the District and the primary government as a whole. These statements distinguish between the governmental and business-type activities of the District. The District's General and Teen funds are classified as governmental activities. The District's Water and Wastewater services are classified as business-type activities.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

In the government-wide statement of net position, both the governmental and business-type activities columns are presented on a consolidated basis by column. The accrual basis of accounting recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the District and for each governmental program. *Direct expenses* are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. *Program revenues* include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Revenues that are not classified as program revenues are presented as *general revenues*. Internally dedicated resources are reported as general revenues rather than as program revenue. Taxes and other items properly not included in program revenues are reported as general revenues.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

MANILA COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The governmental funds (General and Teen funds) financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The proprietary funds (Water and Wastewater funds) financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories.

Governmental Funds

General Fund is the general operating fund of the District. It is used to account parks, community center and all financial resources except those required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

The District reports the General fund as a major governmental funds.

Proprietary Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis financed or recovered primarily through user charges.

The District reports the Utility fund as a major enterprise funds.

MANILA COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Property taxes are reported in the period for which levied. Other non-exchange revenues, including intergovernmental revenues and grants, are reported when all eligibility requirements have been met. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual: i.e., both measureable and available. "Available" means collectable within the current period or within 60 days after year end. Property taxes, intergovernmental revenues, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measureable and available only when cash is received by the government. Expenditures are recognized when the related liability is incurred. Exceptions to this general rule include principal and interest on general obligation long-term debt and employee vacation and sick leave, which are recognized when due and payable.

Cash and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and all highly liquid investments with an original maturity of three months or less from the date of acquisition.

The District is authorized by its most recent investment policy to invest in the State of California Local Agency Investment Fund (LAIF), time deposits and savings and demand accounts and the Humboldt County Treasurer's Investment Pool. As a means of limiting its exposure to fair value losses the District's investment policy limits its investments portfolio to investments in securities having maturities less than five years at the time of purchase.

Investments for the District are reported at fair value. LAIF and the Humboldt County Treasurer's Investment Pool operate in accordance with appropriate state laws and regulations. The reported value of the pools is the same as the fair value of the pool shares using the fair value hierarchy. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

Certain resources set aside for the repayment of debt obligation and the purchase of capital assets are classified as restricted cash because their use is legally restricted.

MANILA COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. In the fund financial statements, receivables are revenues that are usually both measurable and available.

The District uses an allowance for uncollectible accounts of \$5,000.

Inventories

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when used or consumed.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of more than five years. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value to an asset or materially extend assets lives are not capitalized.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets are the same as those used for the general capital assets. Acquisition, construction, and installation costs incurred have been charged to (or capitalized in) capital assets.

Under the GASB Statement No. 34 Implementation Rules, the District is a Phase 3 entity and was not required to record infrastructure assets existing or acquired prior to July 1, 2003 at the date these new financial reporting standards were implemented; and the District has not recorded such assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of the business-type activities is included as part of the capitalized value of the assets constructed. Depreciation of capital assets is computed using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and improvements	30 to 60
Plants	45 to 50
Mains and laterals	30
Machinery and equipment	5 to 15

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

MANILA COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unearned Capital Connections

Unearned capital connections arise when resources are received by the District before it provides the services (i.e., when money is received for water and wastewater connections prior to the District performing the connections).

Interfund Activity

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable government funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as invested in capital assets (net of related debt), restricted, and unrestricted.

- *Invested in Capital Assets, Net of Related Debt* – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* – This category presents external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – This category represents net position of the District not restricted for any project or other purpose.

In the government-wide financial statements, when both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

MANILA COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies governmental fund balances as follows:

- *Non-spendable* – includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- *Restricted* – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors of amounts constrained due to constitutional provisions or enabling legislation.
- *Committed* – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- *Assigned* – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance maybe assigned by the District Manager or Department Heads with District Council approval.
- *Unassigned* – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The District uses restricted or committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents or contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Property Tax

Property taxes are levied as of March 1 on property values assessed as of the same date. State statutes provide that the property tax rate be limited generally to one percent of market value, be levied by only the County, and be shared by applicable jurisdictions on the basis of assessed valuations subject to voter-approved debt. Property taxes are due on November 1 and March 1, and become delinquent on December 10 and April 10. The District receives property taxes pursuant to an arrangement with the County known as the “Teeter Plan.” Under the plan, the County assumes responsibility for the collection of delinquent taxes and pays the full allocation to the District. The District recognizes property tax revenues in the fiscal year in which they are due to the District.

Operating Revenues and Expenses in Proprietary Funds

The District’s proprietary funds distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses of the District’s Water and Sewer funds consist of charges for services and the costs of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as nonoperating.

Budgetary Policy and Data

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. Appropriations lapse at fiscal year-end. The appropriated budget is prepared by fund, function and department. The District Manager may make transfers of appropriations within a department. Transfers between departments and other changes require Board of Director’s approval.

MANILA COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates and Assumptions

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 CASH AND CASH EQUIVALENTS

Cash and investments as of June 30, 2021 are classified in the accompanying financial statements as follows:

	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
Cash and cash equivalents:			
Cash in bank	\$ 18,478	\$ 75,144	\$ 93,622
Cash with Humboldt County	117,414	172,577	289,991
Local agency investment fund	-	13,174	13,174
Total cash and cash equivalents	<u>135,892</u>	<u>260,895</u>	<u>396,787</u>
Restricted cash and cash equivalents:			
Restricted for debt service:			
Cash with Humboldt County	-	17,671	17,671
Restricted for capital assets:			
Cash with Humboldt County	-	123,949	123,949
Total restricted cash and cash equivalents	-	<u>141,620</u>	<u>141,620</u>
TOTAL	<u>\$ 135,892</u>	<u>\$ 402,515</u>	<u>\$ 538,407</u>

Custodial credit risk

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires additional disclosures about a government's deposits and investments risk that include custodial credit risk. Custodial credit risk is the risk that in the event of a bank or counterparty failure the District's deposits or value of its investments may not be returned to it.

The California Government Code requires California banks and savings and loan associations to collateralize a District's deposits by pledging government securities. The market value of pledged securities must equal at least 110 percent of a District's deposits. California law also allows financial institutions to collateralize District deposits by pledging first trust deed mortgage notes having a value of 150 percent of a District's total deposits. The District may waive collateral requirements for deposits which are fully insured up to \$250,000 by Federal Deposit insurance.

At year end, the carrying amount of the District's cash in bank was \$93,622 and the bank balance was \$103,248. Differences between the bank balance and the carrying amount represents outstanding checks and deposits in transit. The bank balances are insured/collateralized as noted above.

Investments in LAIF and the Humboldt County Treasurer's Investment Fund are not evidenced by specific securities in the name of the District and are therefore not subject to custodial credit risk.

MANILA COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Note 3 CAPITAL ASSETS AND DEPRECIATION

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

<u>GOVERNMENTAL ACTIVITIES:</u>	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2021</u>
Capital assets, not being depreciated:				
Land and rights of way	\$ 740,898	\$ -	\$ -	\$ 740,898
Total capital assets, not being depreciated	<u>740,898</u>	<u>-</u>	<u>-</u>	<u>740,898</u>
Depreciable capital assets:				
Buildings and improvements	1,044,875	-	-	1,044,875
Machinery and equipment	<u>67,233</u>	<u>-</u>	<u>(4,613)</u>	<u>62,620</u>
Total capital assets, being depreciated	<u>1,112,108</u>	<u>-</u>	<u>(4,613)</u>	<u>1,107,495</u>
Less: accumulated depreciation				
Buildings and improvements	(669,173)	(26,873)	-	(696,046)
Machinery and equipment	<u>(58,544)</u>	<u>(2,484)</u>	<u>4,613</u>	<u>(56,415)</u>
Total accumulated depreciation	<u>(727,717)</u>	<u>(29,357)</u>	<u>4,613</u>	<u>(752,461)</u>
Net capital assets, being depreciated	<u>384,391</u>	<u>(29,357)</u>	<u>-</u>	<u>355,034</u>
Governmental activities capital assets, net	<u>\$ 1,125,289</u>	<u>\$ (29,357)</u>	<u>\$ -</u>	<u>\$ 1,095,932</u>

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

<u>BUSINESS-TYPE ACTIVITIES:</u>	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2021</u>
Capital assets, not being depreciated:				
Land and rights of way	\$ 86,585	\$ -	\$ -	\$ 86,585
Construction in progress	<u>688,942</u>	<u>-</u>	<u>-</u>	<u>688,942</u>
Total capital assets, not being depreciated	<u>775,527</u>	<u>-</u>	<u>-</u>	<u>775,527</u>
Depreciable capital assets:				
Buildings and improvements	5,804,298	33,000	-	5,837,298
Machinery and equipment	<u>149,298</u>	<u>-</u>	<u>-</u>	<u>149,298</u>
Total capital assets, being depreciated	<u>5,953,596</u>	<u>33,000</u>	<u>-</u>	<u>5,986,596</u>
Less: accumulated depreciation				
Buildings and improvements	(5,072,821)	(28,858)	-	(5,101,679)
Machinery and equipment	<u>(147,082)</u>	<u>(236)</u>	<u>-</u>	<u>(147,318)</u>
Total accumulated depreciation	<u>(5,219,903)</u>	<u>(29,094)</u>	<u>-</u>	<u>(5,248,997)</u>
Net capital assets, being depreciated	<u>733,693</u>	<u>3,906</u>	<u>-</u>	<u>737,599</u>
Business-type activities capital assets, net	<u>\$ 1,509,220</u>	<u>\$ 3,906</u>	<u>\$ -</u>	<u>\$ 1,513,126</u>

MANILA COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Note 3 CAPITAL ASSETS AND DEPRECIATION (continued)

Depreciation expense was charged to functions/programs of the District as follows:

Governmental activities:	
Parks and recreation	\$ 2,855
Community center	<u>26,502</u>
Total depreciation expense – governmental activities	<u>\$ 29,357</u>
Business-type activities:	
Water	\$ 981
Wastewater	<u>28,113</u>
Total depreciation expense – business-type activities	<u>\$ 29,094</u>

Note 4 ACCOUNTS RECEIVABLE, NET

An aging of the utility accounts receivable at June 30, 2021 was as follows:

<u>Current</u>	<u>Over 30 days</u>	<u>Over 60 days</u>	<u>Over 90 days</u>	<u>Total</u>
\$ 31,337	\$ 7,785	\$ 4,492	\$ 21,840	\$ 65,454
				<u>(5,000)</u>
				<u>\$ 60,454</u>

Note 5 LONG-TERM LIABILITIES

The following is a summary of long-term liability transactions for the year ended June 30, 2021:

	<u>Balance June 30, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>	<u>Due in One Year</u>
Governmental activities:					
Compensated absences	\$ 2,212	\$ 1,910	\$ (3,851)	\$ 271	\$ 271
Business-type activities:					
Compensated absences	<u>12,667</u>	<u>10,589</u>	<u>(13,178)</u>	<u>10,078</u>	<u>10,078</u>
Total	<u>\$ 14,879</u>	<u>\$ 12,499</u>	<u>\$ (17,029)</u>	<u>\$ 10,349</u>	<u>\$ 10,349</u>

MANILA COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Note 6 INTERFUND ACTIVITY

Interfund transactions are reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation.

Interfund receivable and payable balances were comprised of the following as of June 30, 2021:

	<u>Due from other funds</u>	<u>Due to other funds</u>
Major governmental funds:		
General Fund	\$ -	\$ 24,674
Non-major governmental funds:		
Teen Fund	<u>24,674</u>	<u>-</u>
Total due from/to other funds	<u>\$ 24,674</u>	<u>\$ 24,674</u>
	<u>Advances to other funds</u>	<u>Advances from other funds</u>
Major governmental funds:		
General Fund	\$ -	\$ 158,341
Major business-type funds:		
Utility Fund	<u>158,341</u>	<u>-</u>
Total advances from/to other funds	<u>\$ 158,341</u>	<u>\$ 158,341</u>

Note 7 DEFICIT FUND BALANCES

The following funds had deficits in fund balances at June 30, 2021:

Major governmental funds:	
General Fund	\$ 47,123

Note 8 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.

The 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 dollars per occurrence.

The SDRMA also provides employee dishonesty coverage with limits of \$1 million 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.

MANILA COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Note 8 RISK MANAGEMENT (continued)

The SDRMA provides worker's compensation statutory insurance coverage and \$5 million for Employer's liability coverage subject to the terms, conditions, and exclusions provided in the memorandum of Coverage. Financial information pertaining to SDRMA can be obtained from its administrative offices at 1112 I Street, Suite 300, Sacramento, California 95814.

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 (IBNR). 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 2021. Settlements have not exceeded coverage for each of the past four fiscal year. The District had no material uninsured claim liabilities at June 30, 2021 or 2020.

Note 9 COMMITMENTS AND CONTINGENCIES

The District has received or receivable from grant agencies for specific purposes that are subject to review and audit by the grantor agencies, principally the county and state government. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

In the natural course of events, the District can be named in lawsuits resulting in legal action against the District from normal operations. No amounts are provided in the accompanying financial statements for such contingencies.

Note 10 SUBSEQUENT EVENTS

A. CALIFORNIA WATER AND WASTEWATER ARREARAGES PAYMENT PROGRAM

The District applied for relief of certain past due utility receivables through the California Water and Wastewater Arrearages Payment Program administered by the State Water Resources Control Board. The District received the following Water and Wastewater arrearages payments in March 2022 and June 2022 respectively:

Water	\$ 7,895
Wastewater	<u>7,929</u>
Total applicable to utility receivables	<u>\$ 15,824</u>

B. OTHER

Management of the District has evaluated the events subsequent to June 30, 2021 for disclosure and has determined that as of September 28, 2022, other than the California Water and Wastewater Arrearages Payment Program described above, there are no material subsequent events that should be disclosed. If events requiring disclosure have occurred between the balance sheet date and the date the financial statements were available to be issued they would be disclosed here.

**MANILA COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
JUNE 30, 2021**

MANILA COMMUNITY SERVICES DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION FOR THE FISCAL YEAR ENDED JUNE 30, 2021

1. BUDGETARY INFORMATION

The following is the budget comparison schedule for the District's governmental funds:

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund Balances, July 1, 2020	\$ (58,345)	\$ (58,345)	\$ (58,345)	
Resources (inflows):				
Rents:				
Community center	73,085	73,085	64,060	\$ (9,025)
Charges for services:				
Recreation vehicles	2,500	2,500	-	(2,500)
Interest	-	-	374	374
Miscellaneous:				
Other	-	-	499	499
Property taxes	<u>20,000</u>	<u>20,000</u>	<u>32,306</u>	<u>12,306</u>
Amounts available for charges to appropriations	<u>37,240</u>	<u>37,240</u>	<u>38,894</u>	<u>1,654</u>
Charges to appropriations:				
Parks:				
Personnel	10,000	10,000	23,179	(13,179)
Utilities	2,100	2,100	1,959	141
Administration	4,992	4,992	5,399	(407)
Other costs	<u>1,000</u>	<u>1,000</u>	<u>2,024</u>	<u>(1,024)</u>
Total parks	<u>18,092</u>	<u>18,092</u>	<u>32,561</u>	<u>(14,469)</u>
Community center:				
Personnel	28,000	28,000	24,820	3,180
Utilities	4,500	4,500	5,855	(1,355)
Administration	5,498	5,498	4,655	843
Other costs	<u>32,000</u>	<u>32,000</u>	<u>18,126</u>	<u>13,874</u>
Total community center	<u>69,998</u>	<u>69,998</u>	<u>53,456</u>	<u>16,542</u>
Total charges to appropriations	<u>88,090</u>	<u>88,090</u>	<u>86,017</u>	<u>2,073</u>
Fund balances, June 30, 2021	<u>\$ (50,850)</u>	<u>\$ (50,850)</u>	<u>\$ (47,123)</u>	<u>\$ 3,727</u>

Note A. Explanation of difference between budgetary inflows and outflows and GAAP revenues and expenditures:

Sources/Inflows resources:

Actual amounts "available for appropriation" from budgetary comparison schedule \$ 38,894

Differences – budget to GAAP:

The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes 58,345

Total revenues as reported in the statement of revenues, expenditures and changes in fund balances – governmental funds \$ 97,239

**MANILA COMMUNITY SERVICES DISTRICT
SUPPLEMENTARY INFORMATION SECTION
JUNE 30, 2021**

**MANILA COMMUNITY SERVICES DISTRICT
COMBINING SCHEDULE OF WATER AND WASTEWATER DEPARTMENTS
STATEMENT OF ACTIVITY
JUNE 30, 2021**

	<u>Water System</u>	<u>Wastewater System</u>	<u>Total</u>
OPERATING REVENUES:			
Charges for services	\$ 205,064	\$ 193,183	\$ 398,247
Other operating revenue	<u>7,036</u>	<u>2,983</u>	<u>10,019</u>
Total operating revenues	<u>212,100</u>	<u>196,166</u>	<u>408,266</u>
OPERATING EXPENDITURES:			
Salaries, wages and benefits	99,570	89,045	188,615
Administration	9,834	17,426	27,260
Maintenance	8,617	37,552	46,169
Professional fees	1,652	2,693	4,345
Travel and utilities	2,628	36,276	38,904
Water purchases	76,850	-	76,850
Other	2,053	2,500	4,553
Depreciation	<u>981</u>	<u>28,113</u>	<u>29,094</u>
Total operating expenses	<u>202,185</u>	<u>213,605</u>	<u>415,790</u>
Operating income (loss)	<u>9,915</u>	<u>(17,439)</u>	<u>(7,524)</u>
NONOPERATING REVENUES:			
Interest revenue	<u>1,159</u>	<u>-</u>	<u>1,159</u>
Total nonoperating revenue	<u>1,159</u>	<u>-</u>	<u>1,159</u>
Change in net position	11,074	(17,439)	(6,365)
Net position, July 1	<u>719,031</u>	<u>1,374,826</u>	<u>2,093,857</u>
Net position, June 30	<u>\$ 730,105</u>	<u>\$ 1,357,387</u>	<u>\$ 2,087,492</u>