

FALLBROOK REGIONAL HEALTH DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2021



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**FALLBROOK REGIONAL HEALTH DISTRICT
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YEAR ENDED JUNE 30, 2021**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Fallbrook Regional Health District
Fallbrook, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of Fallbrook Regional Health District (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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.

Auditors' 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 auditors' 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 and major fund of the District as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the budgetary comparison schedule - budgetary basis, identified as Required Supplementary Information (RSI) in the accompanying table of contents be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2022, on our consideration of the Fallbrook Regional Health 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 solely 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 the effectiveness of Fallbrook Regional Health District's 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 Fallbrook Regional Health District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Carlsbad, California
January 21, 2022

FALLBROOK REGIONAL HEALTH DISTRICT

Management's Discussion and Analysis For the Year Ended June 30, 2021

The Fallbrook Regional Health District (District) has issued its annual financial report for the fiscal year ended June 30, 2021 in conformity with the format prescribed by the provisions of Government Accounting Standards Board Statement No. 34 (GASB 34). This report, Management's Discussion and Analysis, is an overview of the financial activities for the fiscal year and is an integral part of the accompanying Basic Financial Statements.

ACCOUNTING METHOD

The District's operations are accounted for as a Governmental Fund. Governmental Funds focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

THE BASIC FINANCIAL STATEMENTS

The Basic Financial Statements of the District include both Government-wide financial statements as well as fund based financial statements. Due to the limited number of accounts, these two reporting methods have been combined. The financial statement Government Fund Balance Sheet and Statement of Net Position provides information regarding the financial position of the District, including its capital assets and debts. The Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance and Statement of Activities provides information regarding the revenues received by the District, and the expenses incurred in carrying out the District's programs. The ultimate focus of the income statement is the balance of effective current use of funds and planning for the future, as reflected by the amount of net income generated for the fiscal year. Together with this report, the Basic Financial Statements provide information about the significant events, assumptions, and decisions resulting in the financial performance reflected in those statements.

FINANCIAL ACTIVITIES & FISCAL YEAR 2021 HIGHLIGHTS

Statement of Governmental Fund Balance Sheet and Statement of Net Position

The District is a government entity operating under the Local Health Care District Law. In 1950, the residents of the area voted to establish the Fallbrook Hospital District (changed to Fallbrook Healthcare District in 1999). In 2017, the District changed its name to the Fallbrook Regional Health District, upon selling the building that once housed the hospital, hospital operations permanently ceased in 2015.

A condensed version of the Statement of Net Position is presented in Table A below and the changes which occurred between Fiscal Year ended 2021 and 2020.

FALLBROOK REGIONAL HEALTH DISTRICT

Management's Discussion and Analysis
For the Year Ended June 30, 2021

	TABLE A			
	<u>2021</u>	<u>2020</u>	<u>CHANGE</u>	
ASSETS:				
Cash and investments	\$8,673,159	\$8,973,048	(\$299,889)	
All other assets	2,901,435	2,930,553	(29,118)	
TOTAL ASSETS	11,574,594	11,903,601	(329,007)	
LIABILITIES:				
Current liabilities	41,616	36,985	4,631	
Long-term liabilities	20,941	20,624	317	
TOTAL LIABILITIES	62,557	57,609	4,948	
NET POSITION:				
Net investment in capital assets	2,400,036	2,418,255	(18,219)	
Unrestricted	9,112,001	9,427,737	(315,736)	
TOTAL NET POSITION	\$11,512,037	\$11,845,992	(\$333,955)	

The decrease in Total Assets reflects the decrease in investment earnings and annual expenditures outpaced annual income.

The Statement of Activities

The District's business is comprised of two major segments:

- *Community Health Contract Grant Program* – The District administers a Community Health Contract Grant program, giving a portion of the District's annual property tax revenues to non-profit health-related programs serving residents of the Fallbrook, Bonsall, Rainbow, and De Luz areas of northern San Diego County.
- *Community Collaborative for Health and Wellness* – Representatives of the District's healthcare organizations and interested community members meet to network their programs to identify, develop, and initiate District-sponsored health-related community programs and to address concerns. It also provides an additional education opportunity for guest presentations relative to health, health services, and health conditions, ranging in scope from Alzheimer's and COVID-19 to suicide, drug abuse, and legislative issues impacting health and well-being.

FALLBROOK REGIONAL HEALTH DISTRICT

Management's Discussion and Analysis For the Year Ended June 30, 2021

Table B, below, is a condensed version of the Statement of Activities; it summarizes the District's revenues and expenses, and compares Fiscal Year 2021 results to Fiscal Year 2020.

	TABLE B	2021	2020	CHANGE
EXPENDITURES/EXPENSES				
Community Health Contracts		\$1,227,824	\$1,225,328	\$2,496
Direct care services		394,893	202,743	192,150
General and administrative services		754,062	713,956	40,106
Management and maintenance		64,719	114,287	(49,568)
Other expenditures/expenses			161,536	(161,536)
TOTAL EXPENDITURES/EXPENSES		2,441,498	2,417,850	23,648
GENERAL REVENUES				
Property tax revenues		2,013,748	1,898,524	115,224
Investment earnings		50,995	322,069	(271,074)
Lease income		42,800	67,200	(24,400)
Gain on sale			265,816	(265,816)
TOTAL GENERAL REVENUES		2,107,543	2,553,609	(446,066)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES/ CHANGE IN NET POSITION		(333,955)	135,759	(469,714)
FUND BALANCE/NET POSITION				
BEGINNING OF YEAR		11,845,992	11,710,233	135,759
END OF YEAR		\$11,512,037	\$11,845,992	(\$333,955)

The Community Health Contract Grant allocation increased by \$2,496 because the amounts requested and provided through the Community Health Contract Grant process vary from year-to-year.

Direct care services increased by \$192,150 due to the staffing and set up at the Wellness Center for the Covid testing and vaccination clinics.

General and administrative services reflect an increase of \$40,106. This increase is related to changes in the District's staffing.

Management and maintenance decreased by \$49,568 due to completion of extensive deferred maintenance projects. Other expenditures/expenses in the year ended June 30, 2020 includes \$157,328 of costs incurred to the Elder Street Property, pursuant to the sale contract.

FALLBROOK REGIONAL HEALTH DISTRICT

Management’s Discussion and Analysis
For the Year Ended June 30, 2021

Property taxes drive the District’s operations and are its primary source of revenues. The increase of \$115,224 in property taxes reflects the growth and development of new housing along the eastern edge of the District’s sphere of influence. Additionally, there was an increased appreciation of property values reflecting the spirited real estate market.

The Gain on sale of \$265,816 is from the sale of the Alvarado property in March, 2020.

CAPITAL ASSETS

At June 30, 2021, the District had \$2,578,645 in capital assets and \$178,609 accumulated depreciation resulting in \$2,400,036 net capital assets.

A summary of the activity and balances in capital assets is presented in Table C below:

	TABLE C		
	BALANCE		BALANCE
	JULY 1, 2020	ADDITIONS	JUNE 30, 2021
Capital assets, not depreciated:			
Land	\$490,291	\$0	\$490,291
Capital assets, being depreciated:			
Buildings and improvements	1,984,119	39,249	2,023,368
Equipment	61,835	3,151	64,986
Subtotal	2,045,954	42,400	2,088,354
Accumulated depreciation	(117,990)	(60,619)	(178,609)
CAPITAL ASSETS, NET	\$2,418,255	(\$18,219)	\$2,400,036

ECONOMIC OUTLOOK

The Fiscal Year 2021/2022 budget reflects an 2.5% decrease in revenues, as property values/taxes were expected to suffer from the effects of the COVID-19 pandemic. Capital expenditures are expected to increase in the coming fiscal year, due to renovations and improvements to all District properties. The Community Investment Fund will be used to complete such renovations and improvements.

MAJOR INITIATIVES - COMMUNITY HEALTH CONTRACT GRANT PROGRAMS 2020-2021

The Community Health Contracts Grants (CHC) undertaken each year by the District are open for nonprofit 501(c)(3) agencies. Those who are awarded CHCs must meet strict criteria and provide both comprehensive financial and service reports quarterly that demonstrate measurable outcomes.

FALLBROOK REGIONAL HEALTH DISTRICT

Management’s Discussion and Analysis
For the Year Ended June 30, 2021

The District’s focus: Program emphasis type: Prevention, Education, Treatment, and Ancillary Services using the Social Determinants of Health as an organizing paradigm.

- Amount requested: \$1,839,209.90
- Amount funded: \$1,320,928.26, which include funds (\$93,104.16) to North County Fire Protection District per existing grant agreements.
- 18 Nonprofit organizations were funded, for 28 programs – see descriptions below.
 - 6 Youth Focused
 - 7 General Community Health & Wellbeing
 - 9 Senior Citizen Focused
 - 6 Special Population Services

Youth Programming	
Boys & Girls Club of North County, Summer Water Safety Program:	\$15,000.00
Aims to inspire and enable youth members, from ages 5 to 18, on how to be safe around water and realize their full potential as productive, caring and responsible citizens.	
Boys & Girls Club of North County, Triple Play:	\$45,000.00
Allows youths ages 5 to 14 to learn skills such as living a full productive life in good health, engaging in positive social behaviors, to forming good habits and setting goals throughout their lives.	
*Fallbrook Smiles Project:	\$35,055.00
The Fallbrook Smiles Program helps residents of all ages and genders achieve optimal physical health through dental and medical screenings. <i>*Amount awarded was less than funded by \$11,685, due to the recipient being unable to fulfill the contract by the end of the grant cycle.</i>	
Fallbrook Union High School District, Wellness Center:	\$25,000.00
The goal of the Wellness Center is to offer students (and/or their family) a resource for overall wellness. Health clinic: flu shots, health education, dental clinic, adolescent health fair. Counseling/case management	
Palomar Family Counseling Service, Healthy Bodies, Healthy Minds:	\$66,580.80
This program addresses health disparities of childhood obesity and behavioral health through prevention and treatment: parent workshops, presentations on healthy lifestyles, individual counseling, and counseling services and parenting classes at the Wellness Center.	
Palomar Family Counseling Service, Grandparents Raising Grandchildren:	\$37,251.80
The goal of the service is to increase knowledge, support, and sense of community for Fallbrook area grandparents raising their grandchildren.	

FALLBROOK REGIONAL HEALTH DISTRICT

Management’s Discussion and Analysis
For the Year Ended June 30, 2021

Community Health & Fitness	
<p>Fallbrook Food Pantry, Alleviating Hunger in the Greater Fallbrook Area: \$120,000.00</p> <p>Provides an adequate and nutritious supply of food to any individuals in the community who are in need.</p>	
<p>Fallbrook Food Pantry, Learning Center-Educational Nutrition Program: \$35,300.00</p> <p>The goal for participants in the Learning Center-Educational Nutrition Program will be able to demonstrate the ability to improve the overall health conditions of our community and encourage them to change their current pattern of a sedentary lifestyle and unhealthy diet and replace it with healthy physical and mental coping skills.</p>	
<p>Champions for Health, Community Wellness-Immunizations: \$6,984.00</p> <p>Champions for Health will provide a flu vaccine to a minimum of 250 residents of the Fallbrook Regional Health District.</p>	
<p>Champions for Health, Project Access San Diego: \$16,500.00</p> <p>Champions for Health will recruit two community based practitioners to refer a minimum of 10 low-income, uninsured patients, will facilitate specialty healthcare for a minimum of 10 low-income, uninsured patients through Project Access, and provide intensive care management for patients within the Fallbrook Regional Health District.</p>	
<p>Fallbrook Land Conservancy, Preserve and Trail Walkability Enhancement: \$11,035.50</p> <p>Improve and maintain trails and open spaces in an effort to provide safe and reliable trails accessible to people of all abilities and enhance the biological functions of the open space.</p>	
<p>Fallbrook Land Conservancy, Vibrant Volunteer Program: \$13,859.00</p> <p>The Fallbrook Land Conservancy will conduct community outreach to promote the concept of volunteerism as an integral part of a healthy lifestyle when they participate in nature-based volunteer opportunities.</p>	
<p>Trauma Intervention Programs: \$10,000.00</p> <p>TIP citizen volunteers provide emotional first aid to survivors of tragedy in order to ease their immediate suffering and facilitate their healing and long-term recovery.</p>	
Senior Citizens	
<p>Fallbrook Senior Citizens Service Club, Congregate Meals Program: \$50,971.00</p> <p>The goal of the Fallbrook Senior Center Congregate Meal Program is to provide food security with high nutritional value in a social setting for seniors who are economically challenged in the communities of Fallbrook, Bonsall, Rainbow and de Luz.</p>	
<p>Fallbrook Senior Citizens Service Club, Home Delivered Meals Program: \$124,284.46</p> <p>This program brings awareness of the importance of a healthy diet and delivers food to seniors in our District.</p>	
<p>Foundation for Senior Care, Senior Care Advocacy Program: \$98,650.53</p> <p>Provides programs and resources enabling seniors to enhance their well-being and safely age at home.</p>	

FALLBROOK REGIONAL HEALTH DISTRICT

Management’s Discussion and Analysis
For the Year Ended June 30, 2021

Foundation for Senior Care, Senior Transportation Services:	\$101,280.62
Provides accessible, inexpensive reliable transportation that allows their clients to determine when to make their medical appointments and other basic needs at minimal costs and no delays. Helps their riders stay active, independent, and in control of their lives.	
Foundation for Senior Care, Door-Through-Door (Hospital to Home):	\$70,508.33
Provides seniors and disabled adults, a bridge of care when they experience a hospitalization or stay at a skilled nursing facility and then discharged home to recover.	
Foundation for Senior Care, Respite Support at the Adult Day Care:	\$53,827.99
The Fallbrook Day Care Center, “The Club”, provides resources for seniors and the disabled, to have an enriched life, provides socialization, and allows for respite support for those caregivers who work so hard caring for their family members.	
Foundation for Senior Care & Fallbrook Food Pantry, Seniors & Disabled Adults Nutrition Program:	\$52,167.07
This joint program will provide adequate and nutritious supply of food to home bound seniors and or seniors who visit the food pantry with referrals to the Foundations’ Care Advocacy program to ensure other care needs are being met.	
Neighborhood Healthcare, Diabetes Footcare Education Project:	\$15,000.00
Provides programs and resources for seniors with podiatry issues resulting from diabetes.	
Senior Special Needs Animal Assistance Project Endeavor (SSNAAPE) - Senior Companion Animal Outreach:	\$5,000.00
The goal is to introduce SSNAAPE Companion Animal Outreach Program to potential clients in Fallbrook, Rainbow and Bonsall. It serves low-income seniors and the disabled help with their pets; providing food, transporting pets to groomers, and funding medical care. This service, offered at no charge, not only assists the pets, but provides peace of mind to their human companions.	
Support Services for Special Populations	
Be Well Therapy: Be Well Yoga for Cancer Recovery:	\$20,444.00
Be Well Therapy, provides yoga, reiki and mindfulness practices to individuals battling cancer, by providing a respectful, safe and nurturing environment.	
D’Vine Path, Life I Can:	\$17,520.00
This program provides a dynamic program for adults with autism, developmental delays and/or learning disabilities providing vocational and life skills development in viticulture, hospitality & the arts.	
Hospice of the Valleys, Fallbrook Community Support Group:	\$23,254.00
The Senior Assistance Program in Fallbrook addresses the needs of seniors (specifically low income seniors) in the Fallbrook area, through the provision of necessary bereavement and caregiver support groups (mental health services).	

FALLBROOK REGIONAL HEALTH DISTRICT

Management's Discussion and Analysis
For the Year Ended June 30, 2021

Michelle's Place Cancer Resource Center, Cancer Assistance Program:	\$40,350.00
This program provides health resources, education navigation, financial assistance, transportation, and support to underinsured and underserved individuals and their families dealing with cancer.	
REINS Therapeutic Horsemanship, Behavioral Health & Wellness Therapy:	\$79,500.00
Provides advanced physical, mental, and emotional therapy by specialized, highly educated therapists. The students usually ride almost 3 miles on the Equine Therapists.	
REINS Therapeutic Horsemanship, Healthy Volunteer Program:	\$37,500.00
Provides resources to properly train volunteers to assist in providing a positive and enriched therapy program.	

During the fiscal year 2020/2021, the Board of Directors approved distribution of the foregoing amounts to qualified applicants, plus funds to North County Fire. This brings the total amount granted by the District since June 1999 to \$12,366,091.26.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

Fallbrook Regional Health District
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Fallbrook, CA 92028
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**FALLBROOK REGIONAL HEALTH DISTRICT
GOVERNMENTAL FUND BALANCE SHEET AND STATEMENT OF NET POSITION
JUNE 30, 2021**

	General Fund	Adjustments (Note 1)	Statement of Net Position
ASSETS			
Current Assets:			
Cash and Investments	\$ 8,673,159	\$ -	\$ 8,673,159
Property Tax Receivable	13,899	-	13,899
Total Current Assets	8,687,058	-	8,687,058
Noncurrent Assets:			
Capital Assets:			
Not Being Depreciated	-	490,291	490,291
Capital Assets, Net of Depreciation	-	1,909,745	1,909,745
Total Capital Assets	-	2,400,036	2,400,036
Note Receivable	487,500	-	487,500
Total Noncurrent Assets	487,500	2,400,036	2,887,536
 Total Assets	 \$ 9,174,558	 2,400,036	 11,574,594
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 22,320	-	22,320
Accrued Payroll and Related Liabilities	19,296	-	19,296
Total Current Liabilities	41,616	-	41,616
Noncurrent Liabilities:			
Compensated Absences	-	20,941	20,941
Total Noncurrent Liabilities	-	20,941	20,941
 Total Liabilities	 41,616	 20,941	 62,557
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenues	487,500	(487,500)	-
Total Deferred Inflows of Resources	487,500	(487,500)	-
FUND BALANCE/NET POSITION			
Fund Balance:			
Unassigned	8,645,442		
Total Fund Balance	8,645,442		
 Total Liabilities and Fund Balance	 \$ 9,174,558		
 Net Position:			
Net Investment in Capital Assets			2,400,036
Unrestricted			9,112,001
 Total Net Position			 \$ 11,512,037

See accompanying Notes to Basic Financial Statements.

**FALLBROOK REGIONAL HEALTH DISTRICT
GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

	General Fund	Adjustments (Note 1)	Statement of Activities
EXPENDITURES/EXPENSES			
Community Healthcare Programs	\$ 1,227,824	\$ -	\$ 1,227,824
Direct Care Services	352,251	42,642	394,893
General and Administrative Services	735,768	18,294	754,062
Management and Maintenance	64,719	-	64,719
Capital Outlay	42,400	(42,400)	-
Total Expenditures/Expenses	2,422,962	18,536	2,441,498
GENERAL REVENUES			
Property Tax Revenues	2,013,748	-	2,013,748
Investment Earnings	50,995	-	50,995
Lease Income	42,800	-	42,800
Total General Revenues	2,107,543	-	2,107,543
DEFICIT OF REVENUES UNDER EXPENDITURES/CHANGE IN NET POSITION	(315,419)	(18,536)	(333,955)
Fund Balance/Net Position - Beginning of Year	8,960,861		11,845,992
FUND BALANCE/NET POSITION - END OF YEAR	\$ 8,645,442		\$ 11,512,037

See accompanying Notes to Basic Financial Statements.

**FALLBROOK REGIONAL HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Reporting Entity

Fallbrook Regional Health District (the District), formerly known as the Fallbrook Hospital District, is organized under the provisions of the Health and Safety Code of the State of California to provide and operate health care facilities in Fallbrook, California, and unincorporated areas within the County of San Diego, California (County).

Financial Statement Presentation

Local governmental units are required to report information on a government-wide basis and on a fund basis (with emphasis placed on major funds of the entity). The government-wide financial statements (i.e., statement of net position and statement of activities) report information on all of the activities of the primary government and its component units. The governmental fund financial statements (i.e., governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance) report information on individual funds of the government. A fund is considered to be a separate accounting entity with a self-balancing set of accounts.

Since the District utilizes a single governmental fund, and it has no component units, the government-wide and governmental fund financial statements have been combined on the same statement with a reconciliation of the individual line items in a separate column titled "Adjustments." The government-wide financial statements are reported in the "Statement of Net Position" and "Statement of Activities" columns. The governmental fund financial statements are reported in the "General Fund" column.

Basis of Accounting and Measurement Focus

Government-Wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. The District has no fiduciary activities. Government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Measurement focus indicates the type of resources being measured, such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements. Under the economic resources measurement focus, all assets, deferred outflows of resources, liabilities (current and long-term), and deferred inflows of resources are reported. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

**FALLBROOK REGIONAL HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Measurement Focus (Continued)

Fund Financial Statements

Governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Under the current financial resources measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are generally included on the governmental fund balance sheet. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Measurable means that the amounts can be estimated or otherwise determined. Available means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the current reporting period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The District's levied property taxes and investment earnings associated with the current period are considered to be susceptible to accrual. Expenditures generally are recorded when a liability is incurred. However, expenditures related to compensated absences are recorded only when payment is due.

The funds designated as major funds are determined by a mathematical calculation consistent with Governmental Accounting Standards Board (GASB) Statement No. 34. The District reports the following major governmental fund:

The *General Fund* is the primary operating fund. It accounts for and reports all financial resources of the District, except those not accounted for and reported in another fund.

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America. The GASB is the accepted standard setting body for governmental accounting financial reporting purposes.

**FALLBROOK REGIONAL HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Measurement Focus (Continued)

Deferred Inflows of Resources

Deferred inflows from unavailable revenues, which arise only under a modified accrual basis of accounting, are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from the \$487,500 note receivable for the sale of the land in the fiscal year ended June 30, 2020. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Reconciliation of Fund Financial Statements to Government-Wide Financial Statements

In order to adjust the fund balance on the governmental (general) fund balance sheet to arrive at net position on the statement of net position, certain adjustments are required as a result of the differences in accounting basis and measurement focus between the government-wide and fund financial statements.

For the year ended June 30, 2021, purchases of capital are reported as a Capital Outlay expenditure on the statement of governmental fund revenues, expenditures and changes in fund balance, and as an addition to Capital Assets on the government-wide statement of net position. The associated depreciation expense reduces Capital Assets, Net of Depreciation on the statement of net position.

The District sold property on East Alvarado Street during the fiscal year ended June 30, 2020, receiving some of the proceeds in that year and entering into a note receivable for the balance. The amounts received in the previous year were recognized as an other financing source on the governmental fund revenues, expenditures and changes in fund balance in that year. The remainder of the proceeds will be recognized in the General Fund in future periods when collections occur on the note receivable. At June 30, 2021, the unrecognized portion is reflected as a deferred inflow of resources on the governmental fund balance sheet.

The District's accrued compensated absences are reflected on the statement of net position, and changes to the compensated absences are recognized as expenses on the statement of activities. If compensated absences are paid out they are reflected as expenditures on the statement of governmental fund revenues, expenditures and changes in fund balance.

**FALLBROOK REGIONAL HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

Note Receivable

The District's note receivable is from the sale of one of the district's properties in the amount of \$487,500. Interest-only payments are due monthly with the entire amount of principal due by March 27, 2022. Interest received on the note during the fiscal year ended June 30, 2021 was \$20,312.

Property Taxes

Property taxes in California are levied in accordance with Article XIII A of the State Constitution at 1% of countywide assessed valuations. This levy is allocated pursuant to state law to the appropriate units of local government. Additional levies require two-thirds approval by the voters and are allocated directly to the specific government. Taxes and assessments are recognized as revenue based on amounts reported to the District by the San Diego County Tax Collector's Offices. The San Diego County Tax Collector's Offices acts as a collection agent for the property taxes which are normally collected twice a year.

The property tax calendar is as follows:

Lien Date:	January 1
Levy Date:	July 1
Due Dates:	First Installment – November 1 Second Installment – February 1
Delinquent Dates:	First Installment – December 10 Second Installment – April 10

Capital Assets

The District defines capital assets as assets with initial, individual costs of more than \$500 and an estimated useful life in excess of one year. The District's capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their acquisition value on the date donated. Depreciation has been provided over the estimated useful lives of the assets using the straight-line method, generally 3 to 10 years for both buildings and improvements and equipment.

Compensated Absences

It is the District's policy to permit contract employees to accumulate earned but unused vacation leave time. Noncontract employees may accumulate earned but unused vacation leave time up to a maximum of 30 days. All employees may accrue unused sick leave time up to a maximum of 30 days. Upon termination, all employees are entitled to a lump sum payment of 25% of accrued sick leave, not to exceed 15 days. At June 30, 2021, the compensated absences balance was \$20,941.

**FALLBROOK REGIONAL HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position/Fund Balance Classification

Net position of the District is classified into three components: net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets – This component of net position 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. The District has no outstanding debt at June 30, 2021.

Restricted – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

The fund balances reported on the fund statements consist of the following categories:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally contractually required to be maintained intact.

Restricted – This classification includes amounts that can be spent only for specific purposes stipulated by constitutional, external resource providers, or through enabling legislation.

Committed – This classification includes amounts that can be used only for the specific purposes determined by a formal action of the District’s board of directors.

Assigned – This classification includes amounts to be used by the District, authorized by the board of directors for specific purposes, but that do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Unassigned – This classification includes the residual balance for the District’s general fund and includes all spendable amounts not contained in other classifications. In other funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

**FALLBROOK REGIONAL HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of the basic financial statements in accordance 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 disclosures of contingent assets and liabilities at the date of the basic financial statements, as well as the reported amounts of revenues and expenses/expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 2 CASH AND INVESTMENTS

Cash and investments at June 30, 2021 consist of:

Petty Cash	\$	200
Deposits with Financial Institutions		894,036
Investments		7,778,923
Total Cash and Investments	<u>\$</u>	<u>8,673,159</u>

This balance is reported as Cash and Investments under Current Assets on the governmental fund balance sheet and statement of net position.

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>	<u>Quality Requirements (S & P Rating)</u>
Local Agency Investment Fund (LAIF)	No Limitation	75%	No Limitation	No Limitation
U.S. Treasury Obligations	5 Years	75	No Limitation	No Limitation
Cal-Trust Mutual Funds	2 Years	75	No Limitation	AA+/A1
Federal Agency Obligations	5 Years	25	No Limitation	No Limitation
San Diego County Pooled Investment Funds	No Limitation	20	No Limitation	No Limitation
Insured Certificates of Deposit	1 Year	20	No Limitation	AA+/A1
Savings Accounts	No Limitation	25	No Limitation	No Limitation

**FALLBROOK REGIONAL HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

CalTRUST Investment

The District is also a voluntary participant in the Investment Trust of California (CalTRUST), which is a Joint Powers Authority governed by a Board of Trustees made up of local treasurers and investment officers. The Board of Trustees sets overall policy for CalTRUST and selects and supervises the activities of the Investment Manager and other agents. As of June 30, 2021, the District's investment in CalTRUST is \$5,803,193, all of which is invested in the Medium-term pool. Amounts that may be withdrawn from the Medium-term pool are based on the net asset value per share and the number of shares held by participants. CalTRUST investments are subject to market risk as a result of changes in interest rates.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity date at June 30, 2021:

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity</u>	
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>
Local Agency Investment Fund (LAIF)	\$ 1,975,730	\$ 1,975,730	\$ -
CalTRUST Medium Term Fund	5,803,193	-	5,803,193
Total	<u>\$ 7,778,923</u>	<u>\$ 1,975,730</u>	<u>\$ 5,803,193</u>

**FALLBROOK REGIONAL HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the S & P's rating for each investment type at June 30, 2021.

Investment Type	Total	Minimum Legal Rating	Ratings as of Year End	
			AA	Not Rated
Local Agency Investment Fund (LAIF)	\$ 1,975,730	Exempt	\$ -	1,975,730
CalTRUST Medium-Term Fund	5,803,193	AA+/A1	5,803,193	-
Total	<u>\$ 7,778,923</u>		<u>\$ 5,803,193</u>	<u>1,975,730</u>

Concentration of Credit Risk

The investment policy of the District is in accordance with limitations on the amount that can be invested in any one issuer as stipulated by the California Government Code. The District holds no investments in any one issuer other than mutual funds and external investment pools that represents 5% or more of total District investments at June 30, 2021.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits.

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. Of the bank balances, up to \$250,000 held at each institution was federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name. As of June 30, 2021, \$652,440 of the District's deposits with financial institutions in excess of federal depository insurance limits was held in collateralized accounts.

**FALLBROOK REGIONAL HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurements

The District categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the relative inputs used to measure the fair value of the investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Investments measured at cost or net asset value are not subject to the fair value measurement hierarchy.

The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the District's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the District's own data.

The District's only investment subject to the fair value measurement hierarchy is its investment in CalTRUST Medium Term Fund, which is measured at observable input Level 2. LAIF is valued at its net asset value and therefore is not subject to fair value measurement hierarchy.

**FALLBROOK REGIONAL HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 CAPITAL ASSETS

Capital assets activities for the year ended June 30, 2021 are as follows:

	Balance at July 1, 2020	Additions	Deletions	Balance at June 30, 2021
Capital Assets, Not Being Depreciated:				
Land	\$ 490,291	\$ -	\$ -	\$ 490,291
Total Capital Assets, Not Being Depreciated	490,291	-	-	490,291
Capital Assets, Being Depreciated:				
Building and Improvements	1,984,119	39,249	-	2,023,368
Equipment	61,835	3,151	-	64,986
Total Capital Assets, Being Depreciated	2,045,954	42,400	-	2,088,354
Less Accumulated Depreciation for:				
Building and Improvements	(91,732)	(50,061)	-	(141,793)
Equipment	(26,258)	(10,558)	-	(36,816)
Total Accumulated Depreciation	(117,990)	(60,619)	-	(178,609)
Total Capital Assets, Being Depreciated, Net	1,927,964	(18,219)	-	1,909,745
Total Capital Assets	<u>\$ 2,418,255</u>	<u>\$ (18,219)</u>	<u>\$ -</u>	<u>\$ 2,400,036</u>

Depreciation expense was allocated as follows for the year ended June 30, 2021:

Governmental Activities:	
General and Administrative	\$ 17,977
Direct Care Services	42,642
Total Depreciation Expense - Governmental Activities	<u>\$ 60,619</u>

NOTE 4 OPERATING LEASE COMMITMENT

The District is under contract for one operating lease for its copy machine, located in the administrative office. The minimum future equipment rental payments under this noncancelable, unsecured 60-month operating lease as of June 30, 2021, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 8,664
2023	6,498
Total	<u>\$ 15,162</u>

**FALLBROOK REGIONAL HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5 DEFINED CONTRIBUTION PENSION PLAN

The District has a Section 408(p) defined contribution pension plan as allowed under the Internal Revenue Code. The plan type sponsored by the District is the Savings Incentive Match Plan for Employees of Small Employers (SIMPLE), which was effective on January 6, 2006. The Plan is a defined contribution retirement plan in which the employer's contribution is nondiscretionary and is based on a formula that is not related to profit. The Plan sponsor guarantees no benefit and bears no investment risk while the Plan participants bear all investment risk and have no guaranteed level of benefits.

Eligible noncontract employees may begin participating in the Pension Plan following a one-month probationary employment period. The Administrator may begin participating the first day of the month following the employment date of work. The Plan is entirely funded by District contributions of up to 3% of the participants' gross pay for employees hired on or after March 1, 2006, who contribute up to 3% of their salary to the deferred compensation plan. Participants are fully vested upon joining the plan. Plan provisions and contribution requirements are established and may be amended by the District. Participants are eligible to begin receiving benefits at age 55.

Total employer contributions paid by the District amounted to \$-0-.

Funds paid into the Plan by the District are placed in a SIMPLE IRA account at a financial institution determined by the Plan participants. The financial information of the defined contribution pension plan is not in the accompanying financial statements.

NOTE 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 through Special District Risk Management Authority (SDRMA). SDRMA is a risk pooling joint powers authority formed under the California Government Code to provide insurance coverage for SDRMA's member districts. SDRMA purchases excess insurance from commercial carriers to reduce its exposure to large losses.

At June 30, 2021, the District participated in SDRMA as follows:

General and Auto Liability, Public Officials and Employees' Errors and Omissions, and Employment Practices Liability – Single limit of \$2,500,000 per occurrence, subject to deductibles of \$500 per occurrence for third party general liability property damage; \$1,000 per occurrence for third party auto liability property damage, 50% coinsurance of cost expended by SDRMA, in excess of \$10,000 up to \$50,000 per occurrence for employment related claims.

Employee Dishonesty Coverage – Total of \$1,000,000 per loss includes public employee dishonesty, forgery or alteration, and theft, disappearance, and destruction.

**FALLBROOK REGIONAL HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 RISK MANAGEMENT (CONTINUED)

Property Loss – Replacement cost for property on file, if replaced, and if not replaced within two years after the loss, paid on an actual cash value basis, to a combined total of \$1 billion per occurrence, subject to a \$1,000 deductible per occurrence.

Boiler and Machinery – Replacement cost up to \$100 million per occurrence, subject to a \$1,000 deductible.

Public Officials Personal Liability – \$500,000 each occurrence, with an annual aggregate of \$500,000 per each elected/appointed official to which coverage applies, subject to a \$1,000 deductible per claim.

Comprehensive and Collision – On selected vehicles, with deductibles of \$250/\$500 or \$500/\$1,000 as elected.

There were no instances in the past three years where a settlement exceeded the District's coverage provided through SDRMA.

NOTE 7 COMMITMENTS AND CONTINGENCIES

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

COVID-19

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency based on an outbreak of a new strain of coronavirus (COVID-19) and the risks that are posed to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the District's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on the District's financial condition, liquidity, operations, and workforce. The District cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time; however, if the pandemic continues, it may have a material effect on the District's results of future operations and financial position in fiscal year 2022.

**FALLBROOK REGIONAL HEALTH DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8 SUBSEQUENT EVENTS

In preparing these financial statements, the District has evaluated all other events and transactions for potential recognition or disclosure through January 21, 2022, the date the financial statements were available to be issued.

**FALLBROOK REGIONAL HEALTH DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
JUNE 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Positive (Negative)</u>
REVENUES				
Property Tax Revenues	\$ 1,911,818	\$ 1,911,818	\$ 2,013,748	\$ 101,930
Investment Earnings	189,052	189,052	50,995	(138,057)
Lease Income	42,000	42,000	42,800	800
Total Revenues	<u>2,142,870</u>	<u>2,142,870</u>	<u>2,107,543</u>	<u>(35,327)</u>
EXPENDITURES				
General and Administrative Services	752,740	752,740	735,768	16,972
Management and Maintenance	62,118	62,118	64,719	(2,601)
Direct Care Services	98,350	98,350	352,251	(253,901)
Community Healthcare Programs	1,417,009	1,417,009	1,227,824	189,185
Capital Outlay	-	-	42,400	(42,400)
Total Expenditures	<u>2,330,217</u>	<u>2,330,217</u>	<u>2,422,962</u>	<u>(92,745)</u>
DEFICIT OF REVENUES UNDER EXPENDITURES	(187,347)	(187,347)	(315,419)	(128,072)
Fund Balance - Beginning of Year	<u>8,960,861</u>	<u>8,960,861</u>	<u>8,960,861</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 8,773,514</u></u>	<u><u>\$ 8,773,514</u></u>	<u><u>\$ 8,645,442</u></u>	<u><u>\$ (128,072)</u></u>

See accompanying Notes to Required Supplementary Information.

**FALLBROOK REGIONAL HEALTH DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021**

NOTE 1 GENERAL BUDGET POLICIES

The board of directors adopts an annual budget that begins on July 1. Annual appropriations are approved by the board of directors prior to the beginning of each year. The board of directors has the legal authority to amend the budget at any time during the fiscal year.

NOTE 2 BUDGETARY BASIS OF ACCOUNTING

The District's budget is administered on a cash basis that differs from the actual balances which are reported on the modified basis of accounting. The main difference in the June 30, 2021, fiscal year is that capital outlay, reportable on the modified accrual basis of accounting, is not a budgeted item.

NOTE 3 EXPENDITURES IN EXCESS OF BUDGET

During fiscal year ended June 30, 2021 expenditures of the general fund exceeded budgeted expenditures by \$92,745.

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