

**LAKE OF THE PINES RANCHOS
COMMUNITY SERVICES DISTRICT,
CALIFORNIA**

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT ACCOUNTANT'S REVIEW REPORT
FOR THE YEAR ENDED
JUNE 30, 2018**

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LAKE OF THE PINES RANCHOS COMMUNITY SERVICES DISTRICT
Annual Financial Report
For the Year Ended June 30, 2018

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INTRODUCTORY SECTION

- **List of Officials**

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LAKE OF THE PINES RANCHOS COMMUNITY SERVICES DISTRICT

List of Officials

For the Year Ended June 30, 2018

Board of Directors

Dan Fitzgerald	Chair
Glen Fuller	Vice Chair
Robert Runne	Treasurer
Dave Walker	Director
Vacant	Director

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FINANCIAL SECTION

- **Independent Accountant's Review Report**
- **Basic Financial Statements**
- **Required Supplementary Information**

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Lake of the Pines Ranchos Community Services District
Auburn, California

We have reviewed the accompanying financial statements of the governmental activities and the major fund of Lake of the Pines Ranchos Community Services District, California (District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Lake of the Pines Ranchos Community Services District
Auburn, California

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a required 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. We have not audited, reviewed, or compiled the required supplementary information and we do not express an opinion, a conclusion, nor provide any assurance on it.



Smith & Newell CPAs
Yuba City, California
January 14, 2019

Basic Financial Statements

- **Government-Wide Financial Statements**

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LAKE OF THE PINES RANCHOS COMMUNITY SERVICES DISTRICT
Statement of Net Position
June 30, 2018

	<u>Total Governmental Activities</u>
ASSETS	
Cash and investments	\$ 191,742
Total Assets	<u>191,742</u>
LIABILITIES	
Accounts payable	<u>-</u>
Total Liabilities	<u>-</u>
NET POSITION	
Unrestricted	<u>191,742</u>
Total Net Position	<u><u>\$ 191,742</u></u>

The notes to the basic financial statements are an integral part of this statement.

LAKE OF THE PINES RANCHOS COMMUNITY SERVICES DISTRICT
Statement of Activities
For the Year Ended June 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
Public ways and facilities	\$ 8,829	\$ 34,000	\$ 186	\$ -
Total Governmental Activities	<u>8,829</u>	<u>34,000</u>	<u>186</u>	<u>-</u>
Total	<u>\$ 8,829</u>	<u>\$ 34,000</u>	<u>\$ 186</u>	<u>\$ -</u>
General revenues:				
				21,256
				2,416
				<u>23,672</u>
				49,029
				<u>142,713</u>
				<u>\$ 191,742</u>

The notes to the basic financial statements are an integral part of this statement.

Basic Financial Statements

- **Fund Financial Statements**

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LAKE OF THE PINES RANCHOS COMMUNITY SERVICES DISTRICT
Balance Sheet
Governmental Fund
June 30, 2018

	General
ASSETS	
Cash and investments	\$ 191,742
Total Assets	\$ 191,742
LIABILITIES	
Accounts payable	\$ -
Total Liabilities	-
FUND BALANCE	
Unassigned	191,742
Total Fund Balance	191,742
Total Liabilities and Fund Balance	\$ 191,742

The notes to the basic financial statements are an integral part of this statement.

LAKE OF THE PINES RANCHOS COMMUNITY SERVICES DISTRICT
Reconciliation of the Governmental Fund Balance
Sheet to the Government-Wide Statement of
Net Position - Governmental Activities
June 30, 2018

Total Fund Balance - Total Governmental Fund	\$ 191,742
Amounts reported for governmental activities in the statement of net position are different because:	
No adjustments were needed to reconcile the governmental fund balance sheet to the government-wide statement of net position.	
Net Position of Governmental Activities	<u><u>\$ 191,742</u></u>

The notes to the basic financial statements are an integral part of this statement.

LAKE OF THE PINES RANCHOS COMMUNITY SERVICES DISTRICT
Statement of Revenues, Expenditures and
Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2018

	General
REVENUES	
Taxes	\$ 21,256
Assessments	34,000
Use of money and property	2,416
Intergovernmental revenues	186
Total Revenues	57,858
EXPENDITURES	
Current public ways and facilities:	
Services and supplies	8,829
Total Expenditures	8,829
Net Change in Fund Balance	49,029
Fund Balance - Beginning	142,713
Fund Balance - Ending	\$ 191,742

The notes to the basic financial statements are an integral part of this statement.

LAKE OF THE PINES RANCHOS COMMUNITY SERVICES DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of the Governmental Fund to the
Government-Wide Statement of Activities - Governmental Activities
For the Year Ended June 30, 2018

Net Change in Fund Balance - Total Governmental Fund	\$ 49,029
Amounts reported for governmental activities in the statement of activities are different because:	
No adjustments were needed to reconcile the net change in fund balance to the change in net position.	<u>-</u>
Change in Net Position of Governmental Activities	<u><u>\$ 49,029</u></u>

The notes to the basic financial statements are an integral part of this statement.

Basic Financial Statements

- **Notes to Basic Financial Statements**

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LAKE OF THE PINES RANCHOS COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Lake of the Pines Ranchos Community Services District (District) was formed under Section 26500 of the California Public Resources Code. The District is a special district within the County of Nevada governed by an independent five member Board of Directors and provides road maintenance services. The financial transactions are recorded in the Nevada County accounting system.

Generally accepted accounting principles require government financial statements to include the primary government and its component units. Component units of a governmental entity are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the combined financial statements to be misleading. The primary government is considered to be financially accountable if it appoints a majority of an organization's governing body and is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government.

Component Units

Based on the application of the criteria set forth by the Governmental Accounting Standards Board management has determined that there are no component units of the District.

Joint Agencies

The District is a participant in the Special District Risk Management Authority (SDRMA), which is a joint powers agency organized for the purpose of pooled joint-protection coverage to member entities. SDRMA operates public entity pools for auto and general liability coverage, plus workers compensation and errors and omissions coverage and the pool purchases excess insurance for members. Complete audited financial statements of SDRMA can be obtained at 1112 I Street, Suite 300, Sacramento, CA 95814. The District is not financially accountable for this organization and therefore it is not a component unit under Statement Nos. 14, 39 and 61 of the Governmental Accounting Standards Board.

B. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information on all of the activities of the District. These statements include the financial activities of the overall District. These statements report the governmental activities of the District, which are normally supported by property taxes and special assessments. The District had no business-type activities at June 30, 2018.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function. Program revenues include (1) charges paid by the recipients of goods and services offered by the program, (2) operating grants and contributions, and (3) capital grants and contributions. Taxes and other items not properly included among program revenues are presented instead as general revenues.

LAKE OF THE PINES RANCHOS COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Fund Financial Statements

Fund financial statements of the District are organized into one fund, which is considered to be a separate accounting entity. The fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures. The fund of the District is organized into the governmental category and is treated as a major fund.

The District reports the following major governmental fund:

- The General fund is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the District. For the District, the General fund includes the main activity of road maintenance.

C. Basis of Accounting and Measurement Focus

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property tax, assessments, grants, entitlements, and donations. Under the accrual basis, revenue from property taxes and assessments is recognized in the fiscal year for which the taxes and assessments are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Taxes, assessments, operating grants, and use of money and property are considered susceptible to accrual and are accrued when their receipt occurs within sixty days after the end of the current fiscal year. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from governmental long-term debt and capital leases are reported as other financial sources.

D. Non-Current Governmental Assets/Liabilities

Non-current governmental assets and liabilities, such as capital assets and long-term liabilities, are reported in the governmental activities column in the government-wide statement of net position.

E. Cash and Investments

The District pools all cash and investments with the County of Nevada. The Nevada County Treasury is an external investment pool for the District and the District is considered an involuntary participant. The District's share in the pool is displayed in the accompanying financial statements as cash and investments.

LAKE OF THE PINES RANCHOS COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash and Investments (Continued)

Participant's equity in the investment pool is determined by the dollar amount of participant deposits, adjusted for withdrawals and distributed investment income. Investment income is determined on an amortized cost basis. Interest payments, accrued interest, accreted discounts, amortized premiums, and realized capital gains and losses, net of administrative fees, are apportioned to pool participants every quarter. This method differs from the fair value method used to value investments in these financial statements as unrealized gains or losses are not apportioned to pool participants.

F. Receivables

Receivables would include revenue accruals such as interest and other similar intergovernmental revenues since they are usually both measurable and available. At June 30, 2018, the District had no receivables.

G. Inventory

Inventories are recorded as expenditures at the time the inventory is purchased rather than when consumed. Records are not maintained of inventory and supplies on hand, although these amounts are not considered material.

H. Capital Assets

Capital assets would be recorded at historical cost, or estimated historical cost if actual historical cost is not available. Contributed capital assets would be recorded at their acquisition value on the date of donation. Major outlays for capital assets and improvements would be capitalized as projects are constructed.

Capital assets used in operations would be depreciated or amortized using the straight line method over the estimated useful life of the asset in the government-wide financial statements.

At June 30, 2018, the District did not have any capital assets.

I. Property Tax

Nevada County is responsible for the collection and allocation of property taxes. Under California law, property taxes are assessed and collected by the County of Nevada up to 1 percent of the full cash value of taxable property, plus other increases approved by the voter and distributed in accordance with statutory formulas.

The valuation/lien date for all taxes is January 1. Secured property tax is due in two installments, the first is due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10. Unsecured property tax is due on March 1, and becomes delinquent, if unpaid on August 31.

The County uses the alternative method of property tax apportionment known as the "Teeter Plan". Under this method of property tax apportionment, the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties.

LAKE OF THE PINES RANCHOS COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Assessments

The District levies special assessments on the property owners within the District boundaries. An assessment of \$200 per parcel was levied upon each parcel of land within the District. The special assessments are collected along with property taxes by the County of Nevada.

Nevada County assesses properties, bills, collects, and distributes the assessments to the District.

Assessments are due in two installments (secured roll) on November 1 and March 1 and become delinquent after December 10 and April 10, respectively.

K. Compensated Absences and Other Postemployment Benefits (OPEB)

The District does not currently have any employees. Therefore, there is no liability for compensated absences or other postemployment benefits.

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2018, the District did not have any deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. At June 30, 2018, the District did not have any deferred inflows of resources.

M. Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

LAKE OF THE PINES RANCHOS COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Implementation of Governmental Accounting Standards Board Statements (GASB)

The following Governmental Accounting Standards Board (GASB) Statements have been implemented, if applicable, in the current financial statements.

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. This statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). This statement also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

Statement No. 81, Irrevocable Split-Interest Agreements. This statement improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Statement No. 85, Omnibus 2017. This statement addresses practice issues that have been identified during implementation and application of certain GASB Statements including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits.

Statement No. 86, Certain Debt Extinguishment Issues. This statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt.

NOTE 2: CASH AND INVESTMENTS

A. Financial Statement Presentation

As of June 30, 2018, the District's cash and investments consisted of the following:

Investments:	
Nevada County Treasurer's Pool	<u>\$ 191,742</u>
Total	<u>\$ 191,742</u>

LAKE OF THE PINES RANCHOS COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

B. Investments

The District does not have a formal investment policy. At June 30, 2018, all investments of the District were in the County of Nevada investment pool. Under the provisions of the County's investment policy and the California Government Code, the County may invest or deposit in the following:

- U.S. Treasury and Agency Obligations
- California State Registered Warrants, Treasury Notes and Bonds
- Local Agency Obligations
- Banker's Acceptances
- Money Market Funds
- Commercial Paper
- Medium Term Notes
- Negotiable Certificates of Deposit
- Repurchase Agreements
- Reverse Repurchase Agreements
- Certificates of Deposit
- Pass-Through Securities
- Local Agency Investment Fund (LAIF)
- California Asset Management Program (CAMP)

Fair Value of Investments - The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs

The District's position in external investment pools is in its self regarded as a type of investment and looking through to the underlying investments of the pool is not appropriate. Therefore, the District's investment in external investment pools are not recognized in the three-tiered fair value hierarchy described above.

At June 30, 2018, the District had the following recurring fair value measurements:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by Fair Value Level				
None	\$ -	\$ -	\$ -	\$ -
Total Investments Measured at Fair Value	-	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Investments in External Investment Pool				
Nevada County Treasurer's Pool	<u>191,742</u>			
Total Investments	<u>\$ 191,742</u>			

LAKE OF THE PINES RANCHOS COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Interest Rate Risk - Interest rate risk is the risk of loss due to the fair value of an investment falling due to interest rates rising. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. To limit exposure to fair value losses resulting from increases in interest rates, the County's investment policy limits investment maturities to a term appropriate to the need for funds so as to permit the County to meet all projected obligations. The County limits its exposure to interest rate risk inherent in its portfolio by limiting individual maturities to 5 years or less.

Credit Risk - 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. The County's investment policy sets specific parameters by type of investment to be met at the time of purchase. As of June 30, 2018, the District's investments were all pooled with the County of Nevada investment pool which is not rated by a nationally recognized statistical rating organization.

Custodial Credit Risk - Custodial credit risk for investments is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or collateral securities that are in the possession of an outside party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investments in securities through the use of mutual funds or government investment pools.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer of securities. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. State law and the investment policy of the County contains limitations on the amount that can be invested in any one issuer. As of June 30, 2018, all investments of the District were in the County investment pool which contains a diversification of investments.

C. Investments in External Pool

Nevada County Pooled Investment Fund - The Nevada County Pooled Investment Fund is a pooled investment fund program governed by the County which monitors and reviews the management of public funds maintained in the investment pool in accordance with the County investment policy and the California Government Code. The Board of Supervisors review and approve the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to the Board of Supervisors every month. The report covers the type of investments in the pool, maturity dates, par value, actual cost and fair value. Investments in the Nevada County Pooled Investment Fund are regarded as highly liquid as deposits and withdrawals can be made at any time without penalty. The Pool does not impose a maximum investment limit. Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements. The County of Nevada's financial statements may be obtained by contacting the County of Nevada Auditor-Controller's office at 950 Maidu Ave., Nevada City, CA 95959.

LAKE OF THE PINES RANCHOS COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 3: NET POSITION

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- **Net investment in capital assets** - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- **Restricted net position** - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. These principally include restrictions for capital projects and debt service requirements.
- **Unrestricted net position** - all other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

Net Position Flow Assumption

When a government funds outlays for a particular purpose from both restricted and unrestricted resources, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted net position are available, it is considered that restricted resources are used first, followed by the unrestricted resources.

NOTE 4: FUND BALANCES

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2018, fund balance for the governmental fund is made up of the following:

- **Nonspendable fund balance** - amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories and prepaid amounts.
- **Restricted fund balance** - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed fund balance** - amounts that can only be used for the specific purposes determined by formal action of the District’s highest level of decision-making authority. The Board of Directors is the highest level of decision making authority for the District that can, by adoption of an ordinance commit fund balance. Once adopted, the limitation imposed remains in place until a similar action is taken to remove or revise the limitation. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

LAKE OF THE PINES RANCHOS COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 4: FUND BALANCES (CONTINUED)

- **Assigned fund balance** - amounts that are constrained by the District’s intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose.
- **Unassigned fund balance** - the residual classification for the District’s General fund that includes all amounts not contained in the other classifications.

The fund balance for the governmental fund as of June 30, 2018, was distributed as follows:

	General Fund
Unassigned	\$ 191,742
Total	\$ 191,742

Fund Balance Flow Assumption

When a government funds outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance), a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted fund balance are available, it is considered that restricted fund balance is depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policy

The Board of Directors adopted a fund balance policy in May 2014. The policy establishes procedures for reporting fund balance classifications, establishes prudent reserve requirements and establishes a hierarchy of fund balance expenditures.

NOTE 5: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has joined together with other municipalities to participate in the Special District Risk Authority Management (SDRMA) for general liability, vehicle liability, and errors and omissions purposes. SDRMA is a public entity risk pool which serves as a common risk management and insurance program. The district pays an annual premium to SDRMA for its insurance coverage. The agreement with SDRMA provides that they will be self sustaining through member premiums and will reinsure through commercial companies for excess coverage.

There is no claims liability to be reported based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

There are no significant reductions in insurance coverage from prior years and there have been no settlements exceeding the insurance coverages for each of the past three fiscal years.

LAKE OF THE PINES RANCHOS COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 6: OTHER INFORMATION

A. Subsequent Event

Management has evaluated events subsequent to June 30, 2018, through January 14, 2019, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

**Required Supplementary Information
(Unaudited)**

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LAKE OF THE PINES RANCHOS COMMUNITY SERVICES DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Taxes	\$ 19,500	\$ 19,500	\$ 21,256	\$ 1,756
Assessments	34,000	34,000	34,000	-
Use of money and property	1,000	1,000	2,416	1,416
Intergovernmental revenues	189	189	186	(3)
Total Revenues	<u>54,689</u>	<u>54,689</u>	<u>57,858</u>	<u>3,169</u>
EXPENDITURES				
Current public ways and facilities:				
Services and supplies	187,402	187,402	8,829	178,573
Contingencies	10,000	10,000	-	10,000
Total Expenditures	<u>197,402</u>	<u>197,402</u>	<u>8,829</u>	<u>188,573</u>
Net Change in Fund Balances	(142,713)	(142,713)	49,029	191,742
Fund Balances - Beginning	<u>142,713</u>	<u>142,713</u>	<u>142,713</u>	<u>-</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 191,742</u>	<u>\$ 191,742</u>

LAKE OF THE PINES RANCHOS COMMUNITY SERVICES DISTRICT
Required Supplementary Information
Note to Budgetary Comparison Schedule
For the Year Ended June 30, 2018

NOTE 1: BUDGETARY BASIS OF ACCOUNTING

Formal budgetary integration is employed as a management control device during the year. The District presents a comparison of annual budget to actual results for the General fund. The amounts reported on the budgetary basis are generally on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

The following procedures are performed by the District in establishing the budgetary data reflected in the financial statements:

- (1) The Board of Directors review the recommended budget at regularly scheduled meetings, which are open to the public. The Board also conducts a public hearing on the recommended budget to obtain comments from interested persons.
- (2) Prior to July 1, the budget is adopted through the passage of a resolution.
- (3) From the effective date of the budget, the amounts stated therein, as recommended expenditures become appropriations to the District. The Board of Directors may amend the budget by motion during the fiscal year.

The District does not use encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.