

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

**FINANCIAL STATEMENTS  
TOGETHER WITH  
INDEPENDENT ACCOUNTANT'S REVIEW REPORT  
FOR THE YEAR ENDED  
JUNE 30, 2021**

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**LAKE OF THE PINES RANCHOS COMMUNITY SERVICES DISTRICT**  
**Annual Financial Report**  
**For the Year Ended June 30, 2021**

**Table of Contents**

	Page
<b>INTRODUCTORY SECTION</b>	
List of Officials .....	i
<b>FINANCIAL SECTION</b>	
Independent Accountant’s Review Report.....	1-2
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	3
Statement Activities .....	4
Fund Financial Statements:	
Governmental Fund:	
Balance Sheet .....	5
Reconciliation of the Governmental Fund Balance Sheet to the Government-Wide	
Statement of Net Position – Governmental Activities .....	6
Statement of Revenues, Expenditures and Changes in Fund Balance .....	7
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 .....	8
Notes to Basic Financial Statements.....	9-17
Required Supplementary Information:	
Budgetary Comparison Schedule – General Fund.....	18
Note to Budgetary Comparison Schedule.....	19

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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, 2021**

**Board of Directors**

Glen Fuller	Chair
Bill Spann	Vice Chair
Dick Werntz	Treasurer
Steve French	Director
Jerry Rieger	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, 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. 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.

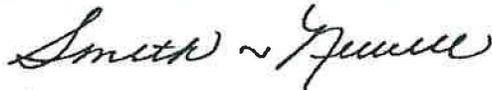
To the Board of Directors  
Lake of the Pines Ranchos Community Services District  
Auburn, California

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the 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.

*Other Information*

The accompanying introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. We have not audited or reviewed the introductory section, and accordingly, do not express an opinion, a conclusion, nor provide any assurance on such information.



Smith & Newell CPAs  
Yuba City, California  
January 10, 2022

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## **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, 2021**

	<u>Total Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 157,626
<b>Total Assets</b>	<u>157,626</u>
<b>LIABILITIES</b>	
Accounts payable	<u>-</u>
<b>Total Liabilities</b>	<u>-</u>
<b>NET POSITION</b>	
Unrestricted	<u>157,626</u>
<b>Total Net Position</b>	<u>\$ 157,626</u>

See accompanying notes and independent accountant's review report.

**LAKE OF THE PINES RANCHOS COMMUNITY SERVICES DISTRICT**  
**Statement of Activities**  
**For the Year Ended June 30, 2021**

<u>Functions/Programs</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	
Governmental activities:					
Public ways and facilities	\$ 66,245	\$ 34,000	\$ 182	\$ -	\$ (32,063)
<b>Total Governmental Activities</b>	66,245	34,000	182	-	(32,063)
<b>Total</b>	\$ 66,245	\$ 34,000	\$ 182	\$ -	(32,063)
<b>General revenues:</b>					
Taxes					24,610
Interest and investment earnings					2,006
<b>Total General Revenues</b>					26,616
<b>Change in Net Position</b>					(5,447)
<b>Net Position - Beginning</b>					163,073
<b>Net Position - Ending</b>					\$ 157,626

See accompanying notes and independent accountant's review report.

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## **Basic Financial Statements**

- **Fund Financial Statements**

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

**Balance Sheet  
Governmental Fund  
June 30, 2021**

	<u>General</u>
<b>ASSETS</b>	
Cash and investments	\$ 157,626
<b>Total Assets</b>	<u>\$ 157,626</u>
<b>LIABILITIES</b>	
Accounts payable	\$ -
<b>Total Liabilities</b>	<u>-</u>
<b>FUND BALANCE</b>	
Unassigned	157,626
<b>Total Fund Balance</b>	<u>157,626</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 157,626</u>

See accompanying notes and independent accountant's review report.

**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, 2021**

<b>Total Fund Balance - Total Governmental Fund</b>	\$ 157,626
No adjustments were needed to reconcile the governmental fund balance sheet to the government-wide statement of net position.	<u>-</u>
<b>Net Position of Governmental Activities</b>	<u><u>\$ 157,626</u></u>

See accompanying notes and independent accountant's review report.

**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, 2021**

	<b>General</b>
<b>REVENUES</b>	
Taxes	\$ 24,610
Assessments	34,000
Use of money and property	2,006
Intergovernmental	182
<b>Total Revenues</b>	<b>60,798</b>
 <b>EXPENDITURES</b>	
Current public ways and facilities:	
Services and supplies	66,245
<b>Total Expenditures</b>	<b>66,245</b>
<b>Net Change in Fund Balance</b>	<b>(5,447)</b>
<b>Fund Balance - Beginning</b>	<b>163,073</b>
<b>Fund Balance - Ending</b>	<b>\$ 157,626</b>

See accompanying notes and independent accountant's review report.

**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, 2021**

<b>Net Change in Fund Balance - Total Governmental Fund</b>	\$ (5,447)
No adjustments were needed to reconcile the net change in fund balance to the change in net position.	<u>-</u>
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ (5,447)</u></u>

See accompanying notes and independent accountant's review report.

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## **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, 2021**

**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.

**Component Units**

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.

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 risk 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 and 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, 2021.

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, 2021**

**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. On an 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, 2021**

**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, 2021, 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, 2021, 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, 2021**

**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, 2021, 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, 2021, 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.

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

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

**Statement No. 84, "Fiduciary Activities."** The requirements of this statement are effective for periods beginning after December 15, 2019. The District does not have any fiduciary activities to report for the year ended June 30, 2021.

**Statement No. 90, "Majority Equity Interest."** In September 2018, the GASB issued Statement No. 90, an amendment of GASB Statements No. 14 and No. 61. The requirements of this statement will take effect for financial statement starting with the fiscal year that ends June 30, 2021. The District does not have any majority equity interests to report for the year ended June 30, 2021.

**LAKE OF THE PINES RANCHOS COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**O. Future Accounting Pronouncements**

The following GASB Statements will be implemented in future financial statements (if applicable):

- Statement No. 87 "Leases" The requirements of this statement are effective for periods beginning after June 15, 2021. (FY 21/22)
- Statement No. 89 "Accounting for Interest Cost Incurred Before the End of a Construction Period" The requirements of this statement are effective for periods beginning after December 15, 2020. (FY 21/22)
- Statement No. 91 "Conduit Debt Obligations" The requirements of this statement are effective for periods beginning after December 15, 2021. (FY 22/23)
- Statement No. 92 "Omnibus 2020" The requirements of this statement are effective for periods beginning after June 15, 2021. (FY 21/22)
- Statement No. 93 "Replacement of Interbank Offered Rates" The requirements of this statement are effective for periods beginning after June 15, 2021. (FY 21/22)
- Statement No. 94 "Public-Private and Public-Public Partnerships and Availability Payment Arrangements" The requirements of this statement are effective for periods beginning after June 15, 2022. (FY 22/23)
- Statement No. 96 "Subscription-Based Information Technology Arrangements" The requirements of this statement are effective for periods beginning after June 15, 2022. (FY 22/23)
- Statement No. 97 "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" The requirements of this statement are effective for periods beginning after June 15, 2021. (FY 21/22)

**NOTE 2: CASH AND INVESTMENTS**

**A. Financial Statement Presentation**

As of June 30, 2021, the District's cash and investments consisted of the following:

Investments:		
Nevada County Treasurer's Pool	\$	<u>157,626</u>
Total	\$	<u>157,626</u>

**LAKE OF THE PINES RANCHOS COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

**NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

**B. Investments**

The District does not have a formal investment policy. At June 30, 2021, 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
- Bankers' 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)
- Supranational

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 itself 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, 2021, 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>157,626</u>			
Total Investments	<u>\$ 157,626</u>			

**LAKE OF THE PINES RANCHOS COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

**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, 2021, the District's investments were all held 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, 2021, all investments of the District were in the Nevada County investment pool which contains a diversification of investments.

**C. Investments in External Pool**

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.

**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.

# LAKE OF THE PINES RANCHOS COMMUNITY SERVICES DISTRICT

## Notes to Basic Financial Statements

For the Year Ended June 30, 2021

### NOTE 3: NET POSITION (CONTINUED)

- **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 BALANCE

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, 2021, 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 Board action, 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.
- **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 authority, 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.

**LAKE OF THE PINES RANCHOS COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

**NOTE 4: FUND BALANCE (CONTINUED)**

The fund balance for the governmental fund as of June 30, 2021, was distributed as follows:

	<u>General</u>
Unassigned	\$ 157,626
Total	\$ 157,626

**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 Management Authority (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.

**NOTE 6: OTHER INFORMATION**

**A. Subsequent Events**

Management has evaluated events subsequent to June 30, 2021 through January 10, 2022, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

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**Required Supplementary Information**

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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, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Taxes	\$ 23,000	\$ 23,000	\$ 24,610	\$ 1,610
Assessments	34,000	34,000	34,000	-
Use of money and property	1,000	1,000	2,006	1,006
Intergovernmental	186	186	182	(4)
<b>Total Revenues</b>	<u>58,186</u>	<u>58,186</u>	<u>60,798</u>	<u>2,612</u>
<b>EXPENDITURES</b>				
Current public ways and facilities:				
Services and supplies	211,295	211,295	66,245	145,050
Contingencies	10,000	10,000	-	10,000
<b>Total Expenditures</b>	<u>221,295</u>	<u>221,295</u>	<u>66,245</u>	<u>155,050</u>
<b>Net Change in Fund Balances</b>	(163,109)	(163,109)	(5,447)	157,662
<b>Fund Balances - Beginning</b>	<u>163,073</u>	<u>163,073</u>	<u>163,073</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ (36)</u>	<u>\$ (36)</u>	<u>\$ 157,626</u>	<u>\$ 157,662</u>

**LAKE OF THE PINES RANCHOS COMMUNITY SERVICES DISTRICT**  
**Required Supplementary Information**  
**Note to Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2021**

**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 reviews 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 interest 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.