

**MYSTIC MINE ROAD  
COMMUNITY SERVICES DISTRICT,  
CALIFORNIA**

**FINANCIAL STATEMENTS  
TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED  
JUNE 30, 2019**

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**MYSTIC MINE ROAD COMMUNITY SERVICES DISTRICT**

**Annual Financial Report  
For the Year Ended June 30, 2019**

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## **INTRODUCTORY SECTION**

- **List of Officials**

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**MYSTIC MINE ROAD COMMUNITY SERVICES DISTRICT**

**List of Officials**

**For the Year Ended June 30, 2019**

**Board of Directors**

Andrew Wedgbury	Chair
Bastianne Hoeks	Director
Gary Baker	Director
Joyce Warfield	Director
Lynne Duston	Director

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## **FINANCIAL SECTION**

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

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Mystic Mine Road Community Services District  
Rough and Ready, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the major fund of Mystic Mine Road Community Services District, California (District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

To the Board of Directors  
Mystic Mine Road Community Services District  
Rough and Ready, California

## **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 the major fund of the District as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As more fully described in Note 6A to the financial statements, subsequent to June 30, 2019 citizens and the economies of the United States and other countries have been significantly impacted by the coronavirus (COVID-19) pandemic. While it is premature to accurately predict how the coronavirus will ultimately affect the District's operations because the diseases severity and duration are uncertain, we expect the 2020 financial results too will be significantly impacted and the implications beyond 2020, while unclear, could also be adversely impacted. Our opinion is not modified with respect to this matter and no pandemic implications are accounted for in these financial statements.

## **Other Matters**

### *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 part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

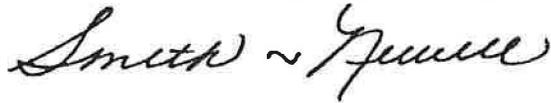
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

To the Board of Directors  
Mystic Mine Road Community Services District  
Rough and Ready, California

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated June 30, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the 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 the District's internal control over financial reporting and compliance.



Smith & Newell CPAs  
Yuba City, California  
June 30, 2020

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## **Basic Financial Statements**

- **Government-Wide Financial Statements**

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**MYSTIC MINE ROAD COMMUNITY SERVICES DISTRICT**  
**Statement of Net Position**  
**June 30, 2019**

	<u>Total Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	<u>\$ 13,625</u>
<b>Total Assets</b>	<u>13,625</u>
<b>LIABILITIES</b>	
Accounts payable	<u>-</u>
<b>Total Liabilities</b>	<u>-</u>
<b>NET POSITION</b>	
Unrestricted	<u>13,625</u>
<b>Total Net Position</b>	<u><u>\$ 13,625</u></u>

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

**MYSTIC MINE ROAD COMMUNITY SERVICES DISTRICT**  
**Statement of Activities**  
**For the Year Ended June 30, 2019**

<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	\$ 25,922	\$ 19,600	\$ -	\$ -
<b>Total Governmental Activities</b>	25,922	19,600	-	-
<b>Total</b>	\$ 25,922	\$ 19,600	\$ -	\$ -
<b>General revenues:</b>				
Interest and investment earnings				245
<b>Total General Revenues</b>				245
<b>Change in Net Position</b>				(6,077)
<b>Net Position - Beginning</b>				19,702
<b>Net Position - Ending</b>				\$ 13,625

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

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## **Basic Financial Statements**

- **Fund Financial Statements**

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**MYSTIC MINE ROAD COMMUNITY SERVICES DISTRICT**  
**Balance Sheet**  
**Governmental Fund**  
**June 30, 2019**

	<b>General</b>
<b>ASSETS</b>	
Cash and investments	\$ 13,625
<b>Total Assets</b>	\$ 13,625
<b>LIABILITIES</b>	
Accounts payable	\$ -
<b>Total Liabilities</b>	-
<b>FUND BALANCE</b>	
Unassigned	13,625
<b>Total Fund Balance</b>	13,625
<b>Total Liabilities and Fund Balance</b>	\$ 13,625

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

**MYSTIC MINE ROAD COMMUNITY SERVICES DISTRICT**  
**Reconciliation of the Governmental Fund Balance**  
**Sheet to the Government-Wide Statement of**  
**Net Position - Governmental Activities**  
**June 30, 2019**

<b>Total Fund Balance - Governmental Fund</b>	\$ 13,625
No adjustments were needed to reconcile the total fund balance of the governmental fund to the net position of governmental activities.	<u>-</u>
<b>Net Position of Governmental Activities</b>	<u><u>\$ 13,625</u></u>

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

**MYSTIC MINE ROAD COMMUNITY SERVICES DISTRICT**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance**  
**Governmental Fund**  
**For the Year Ended June 30, 2019**

	<b>General</b>
<b>REVENUES</b>	
Special assessments	\$ 19,600
Use of money and property	245
<b>Total Revenues</b>	<b>19,845</b>
<b>EXPENDITURES</b>	
Current public ways and facilities:	
Insurance	1,630
Maintenance and repairs	22,431
Professional fees	1,475
Miscellaneous	386
<b>Total Expenditures</b>	<b>25,922</b>
<b>Net Change in Fund Balance</b>	<b>(6,077)</b>
<b>Fund Balance - Beginning</b>	<b>19,702</b>
<b>Fund Balance - Ending</b>	<b>\$ 13,625</b>

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

**MYSTIC MINE ROAD 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, 2019**

<b>Net Change in Fund Balance - Total Governmental Fund</b>	<b>\$ (6,077)</b>
No adjustments were necessary to reconcile the net change in fund balance to the change in net position of governmental activities.	<u>-</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ (6,077)</u></b>

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

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## **Basic Financial Statements**

- **Notes to Basic Financial Statements**

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**MYSTIC MINE ROAD COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Mystic Mine Road Community Services 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.

**B. Basis of Presentation**

**Government-Wide Financial Statements**

The statement of net position and statement of activities display information on all 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 special assessments. The District had no business-type activities at June 30, 2019.

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.

**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.

**MYSTIC MINE ROAD COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2019**

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

**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 recorded 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 assessments, grants, entitlements, and donations. On an accrual basis, revenue from property assessments is recognized in the fiscal year for which the 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. 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 assets acquisitions are reported as expenditures in the governmental fund. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as other financing 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.

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 the 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 and 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, 2019, the District had no receivables.

**G. Inventory**

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

**MYSTIC MINE ROAD COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2019**

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

**H. Capital Assets**

Capital assets would be recorded at historical cost or estimated historical cost if actual cost is not available. Contributed property, plant, and equipment 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 assets' estimated useful lives in the government-wide statements.

At June 30, 2019, the District did not have any capital assets.

**I. 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 February 1 and become delinquent after December 10 and April 10, respectively.

**J. Compensated Absences and Other Postemployment Benefits**

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

**K. 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, 2019, 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, 2019, the District did not have any deferred inflows of resources.

**L. Estimates**

The preparation of the 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.

**MYSTIC MINE ROAD COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2019**

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

**M. 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. 83, Certain Asset Retirement Obligations (AROs).** This statement enhances the comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain AROs including obligations that may not have been previously reported. This statement also enhances the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs.

**Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements.** This statement improves financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risk associated with changes in terms associated with debt will be disclosed as a result, users will have better information to understand the effects of debt on a government’s future resource flows.

**N. Future Accounting Pronouncements**

The following GASB Statements will be implemented in future financial statements:

Statement No. 84 “Fiduciary Activities”	The requirements of this statement are effective for periods beginning after December 15, 2018. (FY 19/20)
Statement No. 87 “Leases”	The requirements of this statement are effective for periods beginning after December 15, 2019. (FY 20/21)
Statement No. 90 “Majority Equity Interests”	The requirements of this statement are effective for periods beginning after December 15, 2018. (FY 19/20)
Statement No. 91 “Conduit Debt Obligations”	The requirements of this statement are effective for periods beginning after December 15, 2020. (FY 21/22)

**NOTE 2: CASH AND INVESTMENTS**

**A. Financial Statement Presentation**

As of June 30, 2019, the District’s cash and investments consisted of the following:

Cash and Investments:	
Nevada County Treasurer’s pool	\$ 13,625
Total Cash and Investments	<u>\$ 13,625</u>

**MYSTIC MINE ROAD COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2019**

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

**B. Investments**

The District does not have a formal investment policy. At June 30, 2019, 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:

- Banker's Acceptances
- Commercial paper
- Local Agency Investment Fund (LAIF)
- Medium-term Corporate Notes
- Money Market Funds
- Negotiable Certificates of Deposit
- Repurchase Agreements
- Reverse Repurchase Agreements
- Securities of the Federal Government of its Agencies
- California State Registered Warrants, Treasury Notes and Bonds
- Local Agency Obligations
- Certificates of Deposit
- Pass-Through Securities

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 investments in external investment pools are not recognized in the three-tiered fair value hierarchy described above.

At June 30, 2019, 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>13,625</u>			
Total Investments	<u>\$ 13,625</u>			

**MYSTIC MINE ROAD COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2019**

**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, 2019, 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 for Investments - 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. 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 contain limitations on the amount that can be invested in any one issuer. As of June 30, 2019, all investments of the District were in the Nevada 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 Avenue, Suite 230, Nevada City, CA 95959.

**MYSTIC MINE ROAD COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2019**

**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.
- **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, 2019, 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. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- **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, or by a body or an official designated for that purpose.

**MYSTIC MINE ROAD COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2019**

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

- **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, 2019, was distributed as follows:

	General Fund
Unassigned	\$ 13,625
Total	\$ 13,625

**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 has established a fund balance policy by passage of a resolution. Fund balance which is committed or assigned for a specific purpose is typically done through adoption of the budget and subsequent budget amendments.

**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 purchases coverage from an insurance company. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**NOTE 6: OTHER INFORMATION**

**A. Subsequent Events**

In December 2019, a novel strain of coronavirus has spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the District could potentially be adversely affected by this global pandemic. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. The District has not included any contingencies in the financial statements specific to this issue.

Management has evaluated events subsequent to June 30, 2019 through June 30, 2020, 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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**MYSTIC MINE ROAD COMMUNITY SERVICES DISTRICT**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Special assessments	\$ 19,600	\$ 19,600	\$ 19,600	\$ -
Use of money and property	165	165	245	80
<b>Total Revenues</b>	<u>19,765</u>	<u>19,765</u>	<u>19,845</u>	<u>80</u>
<b>EXPENDITURES</b>				
Current public ways and facilities:				
Insurance	1,630	1,630	1,630	-
Maintenance and repairs	20,000	20,000	22,431	(2,431)
Professional fees	1,850	1,850	1,475	375
Miscellaneous	225	225	386	(161)
<b>Total Expenditures</b>	<u>23,705</u>	<u>23,705</u>	<u>25,922</u>	<u>(2,217)</u>
<b>Net Change in Fund Balances</b>	(3,940)	(3,940)	(6,077)	(2,137)
<b>Fund Balances - Beginning</b>	<u>19,702</u>	<u>19,702</u>	<u>19,702</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ 15,762</u>	<u>\$ 15,762</u>	<u>\$ 13,625</u>	<u>\$ (2,137)</u>

**MYSTIC MINE ROAD COMMUNITY SERVICES DISTRICT**  
**Required Supplementary Information**  
**Notes to Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2019**

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

- (1) The Board Chair prepares a recommended budget for the fiscal year commencing the following July 1. The budget includes recommended expenditures and the means of financing them.

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.

**NOTE 2: EXPENDITURES IN EXCESS OF APPROPRIATIONS**

For the fiscal year ended June 30, 2019, the District incurred expenditures in excess of appropriations as follows:

	<u>Appropriations</u>	<u>Expenditures</u>	Excess of Expenditures Over <u>Appropriations</u>
General fund	\$ 23,705	\$ 25,922	\$ 2,217

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## **OTHER REPORT AND SCHEDULES**

- **Other Report**
- **Schedule of Findings and Recommendations**
- **Schedule of Prior Year Finding and Recommendations**
- **Management's Corrective Action Plan**

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Mystic Mine Road Community Services District  
Rough and Ready, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Mystic Mine Road Community Services District, California (District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 30, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and recommendations, that we consider to be significant deficiencies. (2019-001 and 2019-002)

To the Board of Directors  
Mystic Mine Road Community Services District  
Rough and Ready, California

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

**District's Responses to Findings**

The District's responses to the findings identified in our audit are described in the accompanying management's corrective action plan. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Smith & Newell CPAs  
Yuba City, California  
June 30, 2020

**MYSTIC MINE ROAD COMMUNITY SERVICES DISTRICT**  
**Schedule of Findings and Recommendations**  
**For the Year Ended June 30, 2019**

**2019-001 Deficiencies in Control Structure Design (Significant Deficiency)**

**Criteria**

Good internal control requires that adequate controls be incorporated in the internal control structure.

**Condition**

There is an absence of appropriate segregation of duties consistent with control objectives as well as an absence of appropriate review and approval of transactions and accounting entries.

**Cause**

The District has limited staff.

**Effect**

The District's internal control procedures are weak in the area of segregation of duties.

**Questions**

No questioned costs were identified as a result of our procedures.

**Context**

Not applicable.

**Repeat Finding**

This is a repeat of finding 2016-001.

**Recommendation**

We recommend that continued effort be made to incorporate good internal control policies into the District's operating procedures.

**Views of Responsible Officials and Planned Corrective Action**

Refer to separate Management's Corrective Action Plan for views of responsible officials and management's responses.

**2019-002 Budget (Significant Deficiency)**

**Criteria**

California Government Code requires that appropriate operating budgets be adopted and amended as needed and that expenditures not exceed the approved budget.

**MYSTIC MINE ROAD COMMUNITY SERVICES DISTRICT**  
**Schedule of Findings and Recommendations**  
**For the Year Ended June 30, 2019**

**2019-002 Budget (Significant Deficiency) (Continued)**

**Condition**

For the year ended June 30, 2019, we noted the District incurred expenditures in excess of appropriations of \$2,217 in the General fund.

**Cause**

The District did not amend its budget to account for changes in estimates of expenditures during the fiscal year.

**Effect**

Expenditures exceeded appropriations by \$2,217 in the General fund.

**Questioned Cost**

No questioned costs were identified as a result of our procedures.

**Context**

Not applicable.

**Repeat Finding**

Not a repeat finding.

**Recommendation**

We recommend that the District control and monitor expenditures so that they do not exceed the approved budget. If budget revisions are required, we recommend that the District take appropriate action to amend the budget.

**Views of Responsible Officials and Planned Corrective Action**

Refer to separate Management's Corrective Action Plan for views of responsible officials and management's responses.

**MYSTIC MINE ROAD COMMUNITY SERVICES DISTRICT**  
**Schedule of Prior Year Findings and Recommendations**  
**For the Year Ended June 30, 2019**

<u>Audit Reference</u>	<u>Status of Prior Year Audit Recommendation</u>
2016-001	<p><b>Deficiencies in Control Structure Design</b></p> <p><b>Recommendation</b></p> <p>We recommend that continued effort be made to incorporate good internal control policies into the District's operating procedures.</p> <p><b>Status</b></p> <p>In Progress</p>

**MYSTIC MINE ROAD COMMUNITY SERVICES DISTRICT**  
**Management's Corrective Action Plan**  
**For the Year Ended June 30, 2019**

**Finding 2019-001      Deficiencies in Control Structure Design (Significant Deficiency)**

We recommend that continued effort be made to incorporate good internal control policies into the District's operating procedures.

Management's Response:      The Board recognizes internal control policies must be improved in the District's operating procedures.

Responsible Individual:      Chair, Board members

Corrective Action Plan:      Chair will improve designation of duties to Board members in order to facilitate timely completion of duties.

Anticipated Completion Date:      June 2020

**Finding 2019-002      Budget (Significant Deficiency)**

We recommend that the District control and monitor expenditures so that they do not exceed the approved budget. If budget revisions are required, we recommend that the District take appropriate action to amend the budget.

Management's Response:      Continued rising costs in road repair and maintenance and the ongoing deterioration of our roads have led to cost overruns. Expenditures have exceeded budget and we have used carryover funds from previous year.

Responsible Individual:      Chair, Board members

Corrective Action Plan:      Board will attempt to improve prioritizing repairs and look to cost cutting measures in order to stay within budget.

Anticipated Completion Date:      June 2020