OAK TREE PARK AND RECREATION DISTRICT, CALIFORNIA

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

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OAK TREE PARK AND RECREATION DISTRICT
Annual Financial Report
For the Year Ended June 30, 2019

Table of Contents

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INTRODUCTORY SECTION

- List of Officials

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OAK TREE PARK AND RECREATION DISTRICT
List of Officials
For the Year Ended June 30, 2019

Board of Directors

Michael Travers	Chairman
Thomas Wade	Vice Chairman
Tracy Corris	Treasurer
Carole Chadima	Director
Anne Solik	Director

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FINANCIAL SECTION

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

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SMITH & NEWELL
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Oak Tree Park and Recreation District
North San Juan, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Oak Tree Park and Recreation 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.

950 THARP ROAD, SUITE 502 YUBA CITY, CA 95993 TEL: (530) 673-9790 FAX: (530) 673-1305 ACCOUNTING@SMITHANDNEWELL.COM

To the Board of Directors
Oak Tree Park and Recreation District
North San Juan, 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.

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
Oak Tree Park and Recreation District
North San Juan, California

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 14, 2019, 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

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

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Basic Financial Statement

- **Government-Wide Financial Statements**

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OAK TREE PARK AND RECREATION DISTRICT
Statement of Net Position
June 30, 2019

	Total Governmental Activities
ASSETS	
Cash and investments	$ 123,389
Receivables:	
Accounts	684
Capital assets:	
Non-depreciable	74,618
Depreciable, net	173,763
Total capital assets	248,381
Total Assets	372,454
LIABILITIES	
Accounts payable	-
Total Liabilities	-
NET POSITION	
Investment in capital assets	248,381
Restricted for capital projects	20,664
Unrestricted	103,409
Total Net Position	$ 372,454

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

OAK TREE PARK AND RECREATION DISTRICT
Statement of Activities
For the Year Ended June 30, 2019

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions/Programs:	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental activities:					
General government	$ 48,961	$ 34,715	$ 36	$ -	$ (14,210)
Total Governmental Activities	48,961	34,715	36	-	(14,210)
Total	$ 48,961	$ 34,715	$ 36	$ -	(14,210)
General revenues:					
Taxes:					
Property taxes					4,253
Interest and investment earnings					2,794
Miscellaneous					9,629
Total General Revenues					16,676
Change in Net Position					2,466
Net Position - Beginning					369,988
Net Position - Ending					$ 372,454

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

Basic Financial Statements

- **Fund Financial Statements**

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OAK TREE PARK AND RECREATION DISTRICT
Balance Sheet
Governmental Fund
June 30, 2019

	General Fund
ASSETS	
Cash and investments	$ 123,389
Receivables:	
Accounts	684
Total Assets	$ 124,073
LIABILITIES	
Accounts payable	$ -
Total Liabilites	-
FUND BALANCE	
Restricted	20,664
Committed	1,135
Unassigned	102,274
Total Fund Balance	124,073
Total Liabilities and Fund Balance	$ 124,073

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

OAK TREE PARK AND RECREATION DISTRICT
Reconciliation of the Governmental Fund Balance Sheet to the Government-Wide Statement of Net Position - Governmental Activities
June 30, 2019

Total Fund Balance - Total Governmental Fund	$ 124,073
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental fund balance sheet.	248,381
Net Position of Governmental Activities	$ 372,454

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

OAK TREE PARK AND RECREATION DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2019

	General Fund
REVENUES	
Taxes and assessments	$ 38,968
Use of money and property	2,794
Intergovernmental	36
Other revenues	9,629
Total Revenues	51,427
EXPENDITURES	
Current general government:	
Services and supplies	39,754
Capital outlay	6,661
Total Expenditures	46,415
Net Change in Fund Balance	5,012
Fund Balance - Beginning	119,061
Fund Balance - Ending	$ 124,073

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

OAK TREE PARK AND RECREATION 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

Net Change in Fund Balance - Total Governmental Fund	$	5,012
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for capital outlay		6,661
Less current year depreciation		(9,207)
Change in Net Position of Governmental Activities	$	2,466

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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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Oak Tree Park and Recreation District is a special district within the County of Nevada governed by an independent five member Board of Directors. The District was formed under Section 5780 of the California Public Resources Code after the election of November 2010. The District was established to provide administration, maintenance, and capital improvements to the Oak Tree Community Park in the San Juan Ridge area of Nevada County. Revenues are derived principally from the county-wide tax levy and a special assessment on improved and unimproved parcels within the District. The financial transactions are recorded in the County of Nevada's 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 property taxes and 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Fund Financial Statements (Continued)

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.

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 tax, grants, entitlements, and donations. Under the accrual basis, revenue from property taxes and assessments are recognized in the fiscal year for which they 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. Property taxes, assessments, grants, use of money and property, and charges for services are considered susceptible to accrual and are accrued when their receipt occurs within sixty days after the end of the fiscal year. Expenditures are generally recorded when a liability is incurred as under accrual accounting. However, debt service expenditures as well as expenditures related to claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. 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. Investments

The District pools all cash and investments other than cash in a checking account, 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 this pool is displayed in the accompanying financial statements as cash and investments.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. 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. During the fiscal year ended June 30, 2019, the County Treasurer has not entered into any legally binding guarantees to support the value of participant equity in the investment pool.

F. Receivables

Receivables consist mainly of accounts. Management believes its receivables are fully collectible and, accordingly, no allowance for doubtful accounts is required.

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 are defined by the District as assets with a cost of $500 or more and a useful life of greater than two years. Capital assets are recorded at historical cost, or estimated historical cost if actual historical cost is unavailable. Contributed capital assets are recorded at their acquisition value at the date of donation.

Capital assets used in operations are depreciated or amortized using the straight-line method over the assets' estimated useful lives in the government-wide financial statements. The range of estimated useful lives by type of asset is as follows:

Depreciable Asset	Estimated Lives
Structures and improvements	25 years
Equipment	15 years

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

I. 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. 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.

K. 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.

L. Assessments

The District levies special assessments on the property owners within the District boundaries. An assessment of $27 per year for each improved parcel and $14 per year for one or more unimproved parcels held in the same ownership was approved by voters of the District on November 2, 2010. 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.

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.

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. 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 Debt 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.

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:	
Deposits (less outstanding checks)	$ 429
Total Cash	429
Investments:	
Nevada County Treasurer's Pool	122,960
Total Investments	122,960
Total Cash and Investments	$ 123,389

B. Cash

At year end, the carrying amount of the District's cash deposits (including amount in a checking account) was $429 and the bank balance was $429.

Custodial Credit Risk for Deposits - Custodial credit risk for deposits 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. The District complies with the requirements of the California Government Code. Under this code, deposits of more than $250,000 must be collateralized at 105 percent to 150 percent of the value of the deposit to guarantee the safety of the public funds. At June 30, 2019, the full amount of the District's deposits are insured by the Federal Deposit Insurance Corporation.

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

C. 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:

- 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, 2019, the District had the following recurring fair value measurements:

		Fair Value Measurements Using		
Investment Type	Fair Value	Level 1	Level 2	Level 3
Investments by Fair Value Level				
None	$ -	$ -	$ -	$ -
Total Investments Measured at Fair Value	-	$ -	$ -	$ -
Investments in External Investment Pool				
Nevada County Treasurer's Pool	122,960			
Total Investments	$ 122,960			

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

C. 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.

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 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 contain limitations on the amount that can be invested in any one issuer. All investments of the District were in the Nevada County investment pool which contains a diversification of investments.

D. Investment 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 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.

OAK TREE PARK AND RECREATION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019
Capital Assets, Not Being Depreciated:				
Land	$ 67,957	$ -	$ -	$ 67,957
Total Capital Assets, Not Being Depreciated	67,957	-	-	67,957
Capital Assets, Being Depreciated:				
Building and improvements	200,323	-	-	200,323
Equipment	24,498	6,661	-	31,159
Total Capital Assets, Being Depreciated	224,821	6,661	-	231,482
Less Accumulated Depreciation For:				
Building and improvements	(28,258)	(5,008)	-	(33,266)
Equipment	(13,593)	(4,199)	-	(17,792)
Total Accumulated Depreciation	(41,851)	(9,207)	-	(51,058)
Total Capital Assets, Being Depreciated, Net	182,970	(2,546)	-	180,424
Total Capital Assets, Net	$ 250,927	($ 2,546)	$ -	$ 248,381

Depreciation

Depreciation was charged to governmental activities as follows:

General Government	$ 9,207
Total Depreciation Expense – Governmental Activities	$ 9,207

NOTE 4: 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".

NOTE 4: NET POSITION (CONTINUED)

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 5: 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.

- **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
Restricted for:	
Capital projects	$ 20,664
Committed to:	
Children's Playground	1,135
Unassigned	102,274
Total	$ 124,073

NOTE 5: FUND BALANCE (CONTINUED)

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 not established a fund balance policy by passage of an ordinance or 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 6: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases coverage from an insurance company. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 7: OTHER INFORMATION

A. Subsequent Events

Management has evaluated events subsequent to June 30, 2019 through October 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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OAK TREE PARK AND RECREATION DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes and assessments	$ 41,000	$ 40,000	$ 38,968	$ (1,032)
Use of money and property	5,324	3,000	2,794	(206)
Intergovernmental	40	40	36	(4)
Other revenues	9,867	10,200	9,629	(571)
Total Revenues	56,231	53,240	51,427	(1,813)
EXPENDITURES				
Current general government:				
Services and supplies	47,781	40,330	39,754	576
Contingencies	5,623	5,324	-	5,324
Capital outlay	8,450	3,950	6,661	(2,711)
Total Expenditures	61,854	49,604	46,415	3,189
Net Change in Fund Balances	(5,623)	3,636	5,012	1,376
Fund Balances - Beginning	119,061	119,061	119,061	-
Fund Balances - Ending	$ 113,438	$ 122,697	$ 124,073	$ 1,376

OAK TREE PARK AND RECREATION DISTRICT
Required Supplementary Information
Note 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 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 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 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.

OTHER REPORT AND SCHEDULES

- Other Report
- Schedule of Findings and Recommendations
- Schedule of Prior Year Findings 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
Oak Tree Park and Recreation District
North San Juan, 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 Oak Tree Park and Recreation 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 October 14, 2019.

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 changed 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 through 2019-003)

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To the Board of Directors
Oak Tree Park and Recreation District
North San Juan, 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and recommendations. (2019-004)

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

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

OAK TREE PARK AND RECREATION DISTRICT
Schedule of Findings and Recommendations
For the Year Ended June 30, 2019

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

Condition

There is an absence of appropriate segregation of duties consistent with control objectives. This is a repeat of prior year finding 2018-001.

Cause

The District does not have any employees. All management services are provided by board members and volunteers.

Criteria

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

Effect of Condition

The District's internal control procedures allow one person to receive cash receipts, make deposits, and reconcile cash held in the County Treasury.

Recommendation

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

2019-002 Fund Balance Policy (Significant Deficiency)

Condition

We noted that the District has not adopted a fund balance policy to establish the sequence in which revenues are to be spent in accordance with GASB 54. This is a repeat of prior year finding 2018-002.

Cause

The District did not adopt a fund balance policy.

Criteria

In February 2009, the Governmental Accounting Standards Board (GASB) issued Statement Number 54, Fund Balance Reporting and Governmental Fund Type Definitions. GASB 54 requires that governmental entities change the categories and terminology used to describe the components of fund balance. The new categories and terminology will focus not on financial resources available for appropriation but on "the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the fund can be spent."

Effect of Condition

Without a fund balance policy in place, inconsistencies and misclassifications in the components of fund balance may occur.

2019-002 Fund Balance Policy (Significant Deficiency) (Continued)

Recommendation

We recommend that the District adopt a fund balance policy.

2019-003 Cash Reconciliation (Significant Deficiency)

Condition

We noted that the June 30, 2019 reconciliation for the cash held in the County Treasury did not agree to the District's general ledger. There is an unreconciled difference of approximately $73. This is a repeat of prior year finding 2018-003.

In addition, we noted a balance adjustment journal entry recorded in the District's general ledger on March 31, 2019 for approximately $3,957 that reduces the District's cash and correspondingly increases expenditures. The reason and support for the adjustment is unknown.

Cause

The District's cash reconciliation is being performed, although the reconciled balance does not agree to the balance reported in the County Treasury. In addition, adjustments are being recorded in the District's general ledger that do not have supporting documentation and are unidentified as to the reason for the adjustment.

Criteria

Good internal control requires that all cash recorded on the District's general ledger be reconciled on a regular basis and that the reconciled balance agree to the County records and supporting documentation.

Effect of Condition

At June 30, 2019, there is an unreconciled difference of cash in the County Treasury of approximately $73 and an unknown journal adjustment of approximately $3,957.

Recommendation

We recommend that the District reconcile all cash recorded on the general ledger to the balance in the County Treasury on a regular basis.

2019-004 Appropriations Limit

Condition

During our audit we noted the District did not calculate or adopt the annual appropriations limit. This is a repeat of prior year finding 2018-005.

2019-004 Appropriations Limit (Continued)

Cause

The District did not perform the annual calculation of the appropriation limit as required by Article XIII B Government Spending Limitation of the California Constitution and the Board of Directors did not adopt a resolution establishing the appropriations limit as required by California Government Code Section 7910.

Criteria

Nevada LAFCo Resolution 10-01 which approved formation of the Oak Tree Park and Recreation District established the provisional appropriations limit for the District as required by Article XIII B of the California Constitution. In addition, California Government Code Section 7910 requires the governing body of a local jurisdiction to establish, by resolution, its appropriations limit and Article XIII B Government Spending Limitation Sec. 1.5 requires the annual calculation of the appropriations limit be reviewed as part of an annual financial audit.

Effect of Condition

The District is not in compliance with Article XIII B of the California Constitution and the California Government Code.

Recommendation

We recommend that the District review Article XIII B of the California Constitution and the California Government Code regarding the Appropriations Limit and perform the annual calculation of the appropriations limit and that the Board of Directors establish, by resolution, the annual appropriations limit.

OAK TREE PARK AND RECREATION DISTRICT
Schedule of Prior Year Findings and Recommendations
For the Year Ended June 30, 2019

Audit Reference	Status of Prior Year Audit Recommendations
2018-001	**Deficiencies in Control Structure Design**

Recommendation

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

Status

In Progress

2018-002	**Fund Balance Policy**

Recommendation

We recommend that the District adopt a fund balance policy.

Status

Not Implemented

2018-003	**Cash Reconciliation**

Recommendation

We recommend that the District reconcile all cash recorded on the general ledger on a regular basis and in a timely manner.

Status

Not Implemented

2018-004	**Budget**

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.

Status

Implemented

Audit Reference	Status of Prior Year Audit Recommendations
2018-005	**Appropriations Limit**

Recommendation

We recommend that the District review Article XIII B of the California Constitution and the California Government Code regarding the Appropriations Limit and perform the annual calculation of the appropriations limit and that the Board of Directors establish, by resolution, the annual appropriations limit.

Status

Not Implemented

OAK TREE PARK AND RECREATION DISTRICT
Management's Corrective Action Plan
For the Year Ended June 30, 2019

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

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

Responsible Individual: Treasurer & Chair

Corrective Action Plan: We will continue our efforts to incorporate good internal control policies into the District's operational procedures.

Anticipated Completion Date: On-going

Finding 2019-002 Fund Balance Policy (Significant Deficiency)

We recommend that the District adopt a fund balance policy.

Responsible Individual: Treasurer & Chair

Corrective Action Plan: The District will discuss the adoption of a fund balance policy.

Anticipated Completion Date: On-going

Finding 2019-003 Cash Reconciliation (Significant Deficiency)

We recommend that the District reconcile all cash recorded on the general ledger to the balance in the County Treasury on a regular basis.

Responsible Individual: Treasurer

Corrective Action Plan: Every effort will be made to reconcile the District's cash balance with that of the Nevada County Controller's office.

Anticipated Completion Date: On-going

Finding 2019-004 Appropriations Limit

We recommend that the District review Article XIII B of the California Constitution and the California Government Code regarding the Appropriations Limit and perform the annual calculation of the appropriations limit and that the Board of Directors establish, by resolution, the annual appropriations limit.

Responsible Individual: Treasurer

Corrective Action Plan: The District will review the requirement of the applicable regulations concerning the adoption of an annual appropriations limit.

Anticipated Completion Date: On-going