

RUTH LAKE COMMUNITY SERVICES DISTRICT

FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Ruth Lake Community Services District

We have audited the accompanying financial statements of the business-type activities of Ruth Lake Community Services District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which comprises 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 an opinion 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. 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 judgement, 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 for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Ruth Lake Community Services District as of June 30, 2018, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Ruth Lake Community Services District has omitted the management discussion and analysis and budgetary comparison information 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.

Aycock & Edgmon

Aycock and Edgmon

November 2, 2020

FINANCIAL STATEMENTS

RUTH LAKE COMMUNITY SERVICES DISTRICT

STATEMENT OF NET POSITION

June 30, 2018

	Ruth Lake Community Services District
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 264,307
Prepaid expenses	23,789
Account receivable - net	<u>3,092</u>
Total Current Assets	<u>291,188</u>
Noncurrent Assets	
Capital assets	3,285,364
Less accumulated depreciation	<u>(1,572,851)</u>
Total Capital Assets	1,712,514
Total Noncurrent Assets	<u>1,712,514</u>
TOTAL ASSETS	<u><u>\$ 2,003,702</u></u>
LIABILITIES AND NET POSITION	
Current Liabilities	
Accrued liabilities	\$ 2,367
Total Liabilities	<u>2,367</u>
Net Position	
Invested in capital assets, net of related debt	1,712,514
Unrestricted	<u>288,821</u>
Total Net Position	<u>2,001,335</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 2,003,702</u></u>

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

RUTH LAKE COMMUNITY SERVICES DISTRICT

STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION

For the Year Ended June 30, 2018

	Community Services District - Leases	Marina and Campground	Total
OPERATING REVENUES			
Campground revenue	\$ -	\$ 284,465	\$ 284,465
Marina revenue	-	363,260	363,260
Lease revenue	156,225	-	156,225
Grant revenue	-	915	915
Solid waste fees	17,100	-	17,100
Tax revenues	6,185	-	6,185
Water fees (lease)	3,170	-	3,170
Assignment fees	1,100	-	1,100
Miscellaneous income	3,447	49	3,496
Total Operating Revenues	<u>187,226</u>	<u>648,690</u>	<u>835,916</u>
COST OF GOODS SOLD			
	<u>-</u>	<u>110,035</u>	<u>110,035</u>
GROSS PROFIT			
	<u>187,226</u>	<u>538,655</u>	<u>725,881</u>
OPERATING EXPENSES			
Advertising	891	126	1,016
Bank charges	2,244	13,764	16,008
Communications	2,044	667	2,710
Depreciation	8,232	110,513	118,745
Dues and subscriptions	1,194	-	1,194
Small equipment	14	2,983	2,997
Equipment rental	339	292	632
Fire protection	15,000	-	15,000
Donations	15,000	-	15,000
Inspections	373	4,516	4,889
Insurance	12,893	-	12,893
Interest	25	-	25
License and permits	203	22,820	23,023
Miscellaneous	7,406	984	8,390
Mileage reimbursement	8,033	622	8,655
Office supplies	2,470	539	3,008
Operating supplies	2,209	27,573	29,783
Payroll expenses	87,139	263,256	350,396
Postage and delivery	756	-	756
Professional fees	13,707	20,189	33,896
Repairs and maintenance	3,695	16,360	20,055
Taxes	-	341	341
Telephone	317	4,451	4,768
Utilities	20,678	36,775	57,453
Vehicle	1,323	3,971	5,294
Total Operating Expenses	<u>206,184</u>	<u>530,743</u>	<u>736,927</u>
OPERATING INCOME (LOSS)			
	(18,958)	7,912	(11,046)
NONOPERATING REVENUES (EXPENSES)			
Interest income	70	59	128
Total Nonoperating Revenues (Expenses)	<u>70</u>	<u>59</u>	<u>128</u>
CHANGES IN NET POSITION			
	(18,888)	7,970	(10,918)
NET POSITION - BEGINNING OF YEAR			
			<u>2,012,253</u>
NET POSITION - END OF YEAR			
			<u>\$ 2,001,335</u>

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

RUTH LAKE COMMUNITY SERVICES DISTRICT

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2018

Ruth Lake
Community
Services District

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 845,913
Cash payments to suppliers for goods and services	(367,649)
Cash payments to employees for services	(357,857)
Net Cash Provided (Used) by Operating Activities	<u>120,407</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Cash paid to acquire capital assets	<u>(79,270)</u>
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(79,270)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>128</u>
Net Cash Flows Provided (Used) by Investing Activities	<u>128</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	41,265
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>223,042</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 264,307</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (11,046)
Adjustments to reconcile change in net position to net cash provided (used) by operating activities:	
Depreciation	118,745
Changes in accounts receivable	9,997
Changes in prepaid expenses	10,171
Changes in accounts payable	(7,461)
Net Cash Provided (Used) by Operating Activities	<u>\$ 120,407</u>

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Ruth Lake Community Services District (District) is a special district of the State of California, created in 1966 under Government Code Sections 61000, et seq. The District is governed by a five-member Board of Directors elected at large by the residents of the District. The District was formed to administer certain lands around Ruth Lake and to provide for public recreation in the form of boat launching, camping facilities, and other recreational sites.

The accompanying financial statements include all organizations, activities, and functions that comprise the Ruth Lake Community Services District. There are no component units (entities that are legally separate for which the District is financially accountable) included within the reporting entity.

B. Basic Financial Statements

The basic financial statements (Statement of Net Position, Statement of Activities and Changes in Net Position, and Statement of Cash Flows) report information on all of the enterprise activities of the District. The District does not have any activities that are considered government-type or fiduciary activities. The Statement of Net Position presents the financial condition of all of the activities of the District at year end.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The District uses multiple proprietary (enterprise) funds to account for its activities. Propriety funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The basic financial statements are prepared using the economic resource measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Activities and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which the related liability is incurred.

Grant and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services and property leases. Operating expenses include the cost of sales and services, general and administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Budget and Budgetary Accounting

The Board of Directors adopt a budget annually to be effective July 1st of the ensuing fiscal year. Budgets are adopted on a basis consistent with generally accepted accounting principles.

E. Cash and Cash Equivalents

The District's cash and cash equivalents are held in demand deposit accounts with two financial institution.

For purposes of the Statement of Cash Flows, the District considers all cash on hand and cash in demand deposit accounts to be cash and cash equivalents.

F. Accounts Receivable

Accounts receivable consists of uncollected property lease income and other fees for services at year end. An allowance for doubtful accounts has not been established. Accounts receivable are written off when deemed uncollectible.

G. Inventories

An inventory of the items held for resale by the District has not been established. An example of the items held for resale by the District are: bait, gasoline, general merchandise, and sports equipment. Management asserts that the value of items held for resale are immaterial to the financial statements.

H. Capital Assets

Capital assets include land, land improvements, buildings, building improvements, machinery and equipment, infrastructure, and other assets that are used in operations, and that have initial useful lives extending beyond a single reporting period. Capital assets are stated at cost or estimated historical cost. The District has not established a capitalization threshold policy.

Depreciation has been provided for using the straight-line method over estimated lives ranging from five to fifteen years for machinery and equipment, twenty to forty years for buildings and improvements, and seventy-five years for infrastructure. The costs of normal maintenance and repairs that do not add to the value or materially extend asset lives are reported as costs as a component of operating expenses.

I. Net Position

The net position represents the difference between assets and liabilities. The net position is segregated into two components: 1) invested in capital assets and 2) unrestricted. The net position invested in capital assets consists of capital assets, net of accumulated depreciation and is reduced by any related debt. Net position is reported as restricted when there are limitations imposed on the use, either through enabling legislation adopted or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments.

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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

K. Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources is reported separately and represents a consumption of net position that applied to future periods and will not be recognized as an outflow of resources (expenses) until then. Deferred inflows of resources, also reported separately, represent an acquisition of net position that applied to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District had no deferred outflows or inflows of resources for the fiscal years ended 2018 and 2017, respectively.

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

The cash and cash equivalents as of June 30, 2018 are as follows:

	2018
Cash on hand	\$ 1,305
Cash held with financial institutions	263,002
	<u>\$ 264,307</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a failure by a financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code requires that financial institutions secure cash deposits made by state or local governments by pledging securities as collateral. The fair value of the pledged securities must equal at least 110% of the amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The District may waive collateral requirements for cash deposits that are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The District has waived the collateralization requirement. The District had deposits with bank balances of \$263,002 as of June 30, 2018, of which \$261,507 was insured by the National Credit Union Administration and \$1,495 was insured by the Federal Deposit Insurance Corporation.

NOTE 3 - CAPITAL ASSETS

A summary of the changes in capital assets for the year ended June 30, 2018 is as follows:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u> <u>and Transfers</u>	<u>Retirements</u> <u>and Transfers</u>	<u>Balance</u> <u>June 30, 2018</u>
Capital assets, being depreciated				
Infrastructure	\$ 93,555	\$ 41,100	\$ -	\$ 134,655
Land improvements	885,563	-	-	885,563
Buildings	1,708,969	-	-	1,708,969
Equipment	518,007	38,170	-	556,177
Total capital assets, being depreciated	<u>3,206,094</u>	<u>79,270</u>	<u>-</u>	<u>3,285,364</u>
Less accumulated depreciation	<u>(1,454,105)</u>	<u>(118,745)</u>	<u>-</u>	<u>(1,572,850)</u>
Total capital assets, net	<u>\$ 1,751,989</u>	<u>\$ (39,475)</u>	<u>\$ -</u>	<u>\$ 1,712,514</u>

Depreciation expense amounted to \$118,745 for the year ended June 30, 2018.

NOTE 4 - 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 maintains commercial coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this coverage in any of the past three years.

NOTE 5 - LEASE COMMITMENTS

The District leases property owned by the Humboldt Bay Municipal Water District.

The District operates under a thirty-nine-year master lease with the Humboldt Bay Municipal Water District, dated June 1, 1964, and extended on May 31, 2013 for ten years. The terms of the lease allow for six ten-year extensions of the master lease through a maximum of ninety-nine years from June 1, 1964.

The purpose of the master lease is to lease lands for 1) building, operating and maintaining boat launching facilities, 2) constructing and maintaining other recreational facilities, roads, and structures, and 3) subletting to tenants for recreational purposes.

NOTE 6 - SUBSEQUENT EVENTS

Management of the Ruth Lake Community Services District has evaluated subsequent events for disclosure through the date of the Independent Auditors' report, the date the financial statements were available to be issued.