

**INDEPENDENCE RANCH
COMMUNITY SERVICES DISTRICT**

Independent Auditor's Report
and
Financial Statements

For the Year Ended
June 30, 2015

**INDEPENDENCE RANCH
COMMUNITY SERVICES DISTRICT**
INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

TABLE OF CONTENTS

	<u>PAGE</u>
BOARD OF DIRECTORS.....	1
INDEPENDENT AUDITOR'S REPORT	2 - 3
Statement of Net Position and Governmental Fund Balance Sheet.....	4
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position.....	5
Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance	6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	7
NOTES TO THE FINANCIAL STATEMENTS	8 – 14
REQUIRED SUPPLEMENTAL INFORMATION	
Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual	16

INDEPENDENCE RANCH COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTORS
June 30, 2015

BOARD OF DIRECTORS

<u>NAME</u>	<u>TERM EXPIRES</u>
Don Duke, President	December 2018
George Tracy, Vice President	December 2018
Carol Noe, Director	December 2016
Terry Leezer, Director	December 2016
Bill Mulcahy, Director	December 2016

CROSBY COMPANY, CERTIFIED PUBLIC ACCOUNTANT

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Independent Auditor's Report

Board of Directors
Independence Ranch Community Services District
Paso Robles, California

Report on the Financial Statements

I have audited the accompanying financial statements of the Independence Ranch Community Services District (the District), as of and for the year ended June 30, 2015, 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT

(Continued)

Other Matters

Required Supplementary Information – Management Discussion and Analysis

As described in Note 1, management has elected not to include a management discussion and analysis. This analysis is not a required part of the basic financial statements but is supplementary information normally required by U.S. generally accepted accounting principles.

Other Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Information on page 16 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.



CROSBY COMPANY
Certified Public Accountant
San Luis Obispo, California

October 11, 2019

INDEPENDENCE RANCH COMMUNITY SERVICES DISTRICT

STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET

June 30, 2015

	<u>Governmental Fund General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash and cash equivalents	\$ 35,888	\$ -	\$ 35,888
Prepaid expense	931		931
Other capital assets, net of accumulated depreciation	-	525,342	525,342
Total assets	\$ 36,819	525,342	\$ 562,161
LIABILITIES			
Accrued interest payable	\$ -	7,029	\$ 7,029
Long-term liabilities:			
Due within one year		18,000	18,000
Due after one year		464,000	464,000
Total liabilities	\$ -	489,029	\$ 489,029
FUND BALANCE			
Non-spendable	\$ 931	(931)	\$ -
Assigned for:			
Other	35,888	(35,888)	-
Total fund balance	36,819	(36,819)	-
Total liabilities and fund balance	\$ 36,819		
NET POSITION			
Net investment in capital assets, net of related debt		43,342	43,342
Unrestricted		29,790	29,790
Total net position		\$ 73,132	\$ 73,132

INDEPENDENCE RANCH COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
 June 30, 2015

Total fund balances - government fund

\$ 36,819

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 funds.

525,342

Long-term liabilities and accrued interest payable have not been included in the governmental funds activity:

Accrued interest payable

(7,029)

Loans payable

(482,000)

Net position of governmental activities

\$ 73,132

INDEPENDENCE RANCH COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES AND
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
For the Year Ended June 30, 2015

	<u>Governmental Fund General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues and other sources:			
Property assessments	\$ 62,500	\$ -	\$ 62,500
Interest income	8		8
Capital related debt issued	95,264	(95,264)	
	157,772	(95,264)	62,508
Expenditures/expenses:			
Dues	654		654
Fees	218		218
General manger/secretary	7,175		7,175
Insurance	1,000		1,000
Office expenses	497		497
Professional fees	5,552		5,552
Road repair and maintenance	2,265		2,265
Utilities	153		153
Depreciation expense		26,440	26,440
Capital outlay	3,815	(3,815)	-
Debt service:			
Note principal payments	18,000	(18,000)	-
Interest on notes payable	12,259	7,029	19,288
	51,588	11,654	63,242
Excess of revenue and other sources over (under) expenditures:	106,184	(106,184)	-
Change in net position:		(734)	(734)
Fund balance/net position at beginning of year:	(69,365)	143,231	73,866
Fund balance/net position at end of year:	\$ 36,819	\$ 36,313	\$ 73,132

INDEPENDENCE RANCH COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

Net Change in Governmental Fund Balance

\$ 106,184

Loan proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net position. In the current period, these amounts are:

Loans issued	(95,264)
Repayment of loans payable	18,000

Some accrued interest expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(7,029)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and expensed as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 3,815
Depreciation expense	(26,440)

Combined adjustment for capital outlay and depreciation

(22,625)

Change in Net Position of Governmental Activities

\$ (734)

INDEPENDENCE RANCH COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 1: ORGANIZATION

The Independence Ranch Community Services District (District) was formed in 1992. It is a political subdivision of the State of California and operates under a Board of Directors form of government. The District provides street maintenance and road improvement services for 125 parcels.

The District complies with U.S. Generally Accepted Accounting Principles and all relevant Governmental Accounting Standards Board pronouncements. These technical pronouncements establish criteria for determining the District's activities and functions that are included in the financial statements of a governmental unit. Management has elected not to include a management discussion and analysis, which is not a required part of the basic financial statements but is supplementary information normally required by U.S. generally accepted accounting principles. The general ledger and budgetary projections are maintained by the District.

The District is a member of the Special District Authority Risk Management Joint Powers Agency, which was organized for the purpose of providing general liability, automobile, errors and omissions, and property loss insurance coverage to special districts. This organization is financed through premium charges to each member.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information about the primary government (the District). These statements include financial activities of the overall District.

Fund Financial Statements

The accounts of the District are organized into a governmental fund which is considered to be a separate accounting entity. Only current assets and current liabilities are generally included on the balance sheet. The operating statements present sources and uses of available resources during a given period. The District reports the following major governmental fund:

General Fund – Used to report the District's primary operating fund. It accounts for all financial resources of the general government.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

INDEPENDENCE RANCH COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Interest income and various intergovernmental revenues comprise the significant revenues susceptible to accrual.

Estimates

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments including money market accounts to be cash and cash equivalents.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2015, are recorded as prepaid expenses.

Budget

An annual budget is approved by the Board. The budget is revised by the District's governing Board during the year to give consideration to unanticipated income and expenditures. All unencumbered appropriations in the budget lapse at the end of the fiscal year. A budget analysis for governmental funds is included as a required statement in the financial statements.

Property Taxes

The County of San Luis Obispo bills and collects property assessments for the District. The County charges the District for these services. Tax revenues are recognized by the District in the year levied.

Capital Assets

General capital assets generally result from expenditures in governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are valued at historical cost. Improvements are capitalized and the cost of normal maintenance and repairs that do not add to the value of the net asset or materially extend the asset's life are not.

INDEPENDENCE RANCH COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (continued)

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the applicable governmental activity column in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective statement of net assets. The estimated useful lives of land improvements are 20 years.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities fund type statement of net assets. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

Concentrations

The District provides road maintenance and improvement services to the Independence Ranch Community Services District area. Consequently, its ability to collect amounts from the County of San Luis Obispo may be affected by economic fluctuations, within this region and within the State of California as a whole.

Fund Balances

Fund balance can now be displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-spendable fund balance – amounts that are not in a spendable form are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers, through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned fund balance – amounts that have no specific restrictions, commitments or assignments.

If restricted and unrestricted assets are available for the same purpose, the restricted assets will be used before unrestricted assets.

INDEPENDENCE RANCH COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

Net position presents the difference between assets and liabilities in the statement of net position. Net position is reported as restricted when there are legal limitations imposed on their use by external restrictions by creditors, grantors, laws or regulations of other governments.

NOTE 3: CASH AND CASH EQUIVALENTS

The values of cash and cash equivalents at June 30, 2015 are summarized as follows:

Demand deposits	\$	34,380
Cash and investment with: County treasurer		<u>1,508</u>
Total cash and investments	\$	<u><u>35,888</u></u>

The California Government Code requires California banks and savings and loan associations to secure a district's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of a district's deposits. California law also allows financial institutions to secure district deposits by pledging first trust deed mortgage notes having a value of 150% of a district's total deposits. The District may waive collateral requirements for deposits which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC).

Credit Risk, Carrying Amount, and Market Value

Cash is classified in three categories of credit risk as follows:

Category 1 - insured or collateralized with securities held by the entity or by its agent in the entity's name;

Category 2 - collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name; and

Category 3 - uncollateralized.

Investments in pools managed by other governments (LAIF) or in mutual funds are not required to be categorized.

INDEPENDENCE RANCH COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 3: CASH AND CASH EQUIVALENTS (Continued)

At June 30, 2015, the carrying amount of the District's cash deposits was \$34,380. The bank balances were \$34,380. District cash deposits by category as of June 30, 2015, are as follows:

	<u>1</u>	<u>Category</u> <u>2</u>	<u>3</u>	<u>Bank</u> <u>Balance</u>	<u>Carrying</u> <u>Amount</u>
Bank accounts	\$ 34,380	\$ -	\$ -	\$ 34,380	\$ 34,380

NOTE 4: LAND IMPROVEMENTS

A summary of capital assets by major classifications is as follows:

	<u>June 30,</u> <u>2014</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>June 30,</u> <u>2015</u>
<u>Depreciable:</u>				
Land improvements	\$ 547,967	\$ 3,815	\$ -	\$ 551,782
Total depreciable	547,967	3,815		551,782
Accumulated depreciation		(26,440)		(26,440)
Net depreciable assets	<u>547,967</u>	<u>(22,625)</u>	<u>-</u>	<u>525,342</u>
Net capital assets	<u>\$ 547,967</u>	<u>(22,625)</u>	<u>-</u>	<u>525,342</u>

Depreciation expense for the period ended June 30, 2015 was \$26,440.

NOTE 5: LINE OF CREDIT

A line of credit was established on October 15, 2013 for \$50,000. This line of credit had a zero balance at June 30, 2015. The interest rate is variable, based on 2.5% over West Coast Prime rate, with an interest rate floor of 6.5%. The line of credit matures October 15, 2015.

NOTE 6: LONG-TERM DEBT

The district obtained a \$500,000 loan from the Public Property Financing Corporation of California transferred to the United States of America through the Rural Housing Service for the District road paving project. The loan is payable over 20 years and bears interest at 3.5% annually. On February 1, 2015 the District began to make annual payments of principal and interest until the due date of February 1, 2034.

INDEPENDENCE RANCH COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 6: LONG-TERM DEBT (Continued)

The District's outstanding long-term debt at June 30, 2015 is as follows:

<u>Type of indebtedness:</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Authorized</u>
Note payable	2034	3.5%	\$ 500,000

The following is a summary of debt activity as of June 30, 2015:

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
Note payable	\$ 404,736	\$ 95,264	\$ 18,000	\$ 482,000

The aggregate maturities of long term debts are as follows:

<u>Fiscal year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt service</u>
2016	\$ 18,000	\$ 16,870	\$ 34,870
2017	19,000	16,240	35,240
2018	20,000	15,575	35,575
2019	20,000	14,875	34,875
2020	21,000	14,175	35,175
2021-2025	117,000	59,255	176,255
2026-2030	140,000	37,275	177,275
2031-2034	<u>127,000</u>	<u>11,130</u>	<u>138,130</u>
Total	\$ <u>482,000</u>	\$ <u>185,395</u>	\$ <u>667,395</u>

NOTE 7: SUBSEQUENT EVENTS

The District has evaluated events subsequent to June 30, 2015, to assess the need for potential recognition or disclosures in the financial statements. Such events were evaluated through October 11, 2019, the date these financial statements were available to be issued. Based upon this evaluation, it was determined that no other subsequent events occurred that require recognition or additional disclosure in the financial statements.

INDEPENDENCE RANCH COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 8: JOINT POWERS AUTHORITY

The District is a member of the Special District Risk Management Authority (S.D.R.M.A.), an intergovernmental risk sharing joint powers authority, created pursuant to California Government Code Sections 6500 et.seq. In becoming a member of the S.D.R.M.A., the District elected to participate in the risk financing program(s) listed below for the program periods July 1, 2014 through July 1, 2015.

General Liability: Special District Risk Management Authority, coverage number LCA SDRMA 201415. This covers \$2,500,000 per occurrence.

Public Officials and Employees Errors: Special District Risk Management Authority, coverage number LCA SDRMA 201415. This covers \$2,500,000 per occurrence/general aggregate.

Personal Liability Coverage for Board Members: Special District Risk Management Authority, coverage number LCA SDRMA 201415. This covers \$500,000 per occurrence/general aggregate.

Employment Practices Liability: Special District Risk Management Authority, coverage number LCA SDRMA 201415. This covers \$2,500,000 per occurrence/general aggregate.

Employee Benefits Liability: Special District Risk Management Authority, coverage number LCA SDRMA 201415. This covers \$2,500,000 per occurrence/general aggregate.

Employee Dishonesty Coverage: Special District Risk Management Authority, coverage number EDC SDRMA 201415. This covers \$400,000 per occurrence.

Auto Liability: Special District Risk Management Authority, coverage number LCA SDRMA 201415. This policy covers \$2,500,000 per occurrence for personal injury and property damage.

Uninsured/Under Insured Motorist: Special District Risk Management Authority, coverage number UMI SDRMA 201415. This covers \$750,000 each accident.

REQUIRED SUPPLEMENTAL INFORMATION

INDEPENDENCE RANCH COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
 Budget and Actual
 For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues and other sources:				
Property assessments	\$ 62,500	\$ 62,500	\$ 62,500	\$ -
Interest income	5	5	8	3
Capital related debt issued		-	95,264	95,264
Total revenues and other sources	62,505	62,505	157,772	95,267
Expenditures:				
Dues	200	200	654	(454)
Fees	218	218	218	-
General manger/secretary	7,800	7,800	7,175	625
Insurance	1,000	1,000	1,000	-
Office expenses	1,830	1,830	497	1,333
Professional fees	4,500	4,500	5,552	(1,052)
Road repair and maintenance	500	500	2,265	(1,765)
Utilities	150	150	153	(3)
Capital outlay		-	3,815	(3,815)
Debt service:				
Principal	3,500	3,500	18,000	(14,500)
Interest	30,278	30,278	12,259	18,019
Total expenditures	49,976	49,976	51,588	(1,612)
Excess of revenues and other sources over expenditures	\$ 12,529	\$ 12,529	106,184	\$ 93,655
Fund balance at beginning of year			(69,365)	
Fund balance at end of year			\$ 36,819	