

**KINGSBURY GREENS
COMMUNITY SERVICES DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

KINGSBURY GREENS COMMUNITY SERVICES DISTRICT
JUNE 30, 2017 AND 2016
TABLE OF CONTENTS

| | |
|--|----|
| <u>Independent Auditor’s Report</u> | 1 |
| <u>Management’s Discussion and Analysis</u> | 3 |
| <u>Financial Statements</u> | |
| <u>June 30, 2017</u> | |
| Governmental Fund Balance Sheet/Statement of Net Position | 6 |
| Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities..... | 7 |
| <u>June 30, 2016</u> | |
| Governmental Fund Balance Sheet/Statement of Net Position | 8 |
| Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities..... | 9 |
| Notes to Financial Statements..... | 10 |
| <u>Required Supplementary Information</u> | |
| Budget to Actual Comparisons – June 30, 2017 | 16 |
| Budget to Actual Comparisons – June 30, 2016 | 17 |
| <u>Communication of Significant Deficiencies and Material Weaknesses</u> | 18 |
| <u>Letter to Management</u> | 21 |

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Kingsbury Greens Community Services District
15460 Kingsbury Circle
Grass Valley, CA 95949

We have audited the accompanying financial statements of the governmental activities and the major fund of the Kingsbury Greens Community Services District (District), as of and for the year ended June 30, 2017 and 2016, and the related notes to the financial statements. These financial statements 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. 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.

Except for the matter described in the "Basis for Disclaimer of Opinion" paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Disclaimer of Opinion

We were unable to obtain sufficient appropriate audit evidence about the amounts recognized as expenses for the year ended June 30, 2016. Consequently, we were unable to determine whether any adjustments to those amounts were necessary.

Disclaimer of Opinion

In our opinion, except for the matters described in the “Basis for Disclaimer of Opinion” paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Kingsbury Greens Community Services District, as of June 30, 2016 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America and with the California State Controller’s Minimum Audit Requirements and Reporting Guidelines for Special Districts.

Unmodified Opinion

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 Kingsbury Greens Community Services District, as of June 30, 2017, 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 and with the California State Controller’s Minimum Audit Requirements and Reporting Guidelines for Special Districts.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and budgetary comparison information on pages 3–5 and 16–17 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.



Jensen Smith
Certified Public Accountants
Lincoln, California
December 31, 2018

**KINGSBURY GREENS COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

Our discussion and analysis of the Kingsbury Greens Community Services District's (hereafter referred to as the District) financial performance provides an overview of the District's financial activities for the fiscal years ended June 30, 2017 and 2016.

FINANCIAL HIGHLIGHTS

The financial statements included in this report provide insight into the financial status for the year.

- The District's assets exceeded its liabilities by \$65,847 (fund balance) at June 30, 2017 and \$63,486 at June 30, 2016. This is an increase of \$2,361 from fiscal year 2016 to fiscal year 2017, and an increase of \$2,178 from fiscal year 2016 to fiscal year 2017.
- The entire fund balance of \$65,847 at June 30, 2017 was unassigned and available for general operations. The entire fund balance of \$63,486 at June 30, 2016 was unassigned and available for general operations.
- At June 30, 2017 and 2016 there were no differences between the unrestricted net position and the unassigned fund balance.
- During the years, the effects of the District's activities can be summarized as follows:

| | <u>June 30, 2017</u> | <u>June 30, 2016</u> |
|---------------------------------------|----------------------|----------------------|
| <u>Governmental Fund Activities</u> | | |
| Revenues | \$ 26,225 | \$ 24,604 |
| Expenditures | (23,864) | (22,426) |
| Surplus (Deficit) | \$ 2,361 | \$ 2,178 |
| <u>Government-wide Activities</u> | | |
| Revenues | \$ 26,225 | \$ 24,604 |
| Expenses | (30,363) | (28,925) |
| Surplus (Deficit) | \$ (4,138) | \$ (4,321) |

- Resources available for appropriation, which includes the prior year's ending fund balance plus the current change in fund balances, for all government activities was \$65,847 at June 30, 2017 and \$63,486 at June 30, 2016.

Using this Annual Report - Overview of the Financial Statements

This report consists of two combined financial statements. The Governmental Funds Balance Sheet/Statement of Net Position (pages 6 and 8) and the Statement of Revenue, Expenditures and Changes in Fund Balance/Statement of Activities (Pages 7 and 9) illustrate how the governmental type activities were financed in the short term, as well as what remains for future spending. The columns of these statements titled Statement of Net Position, and Statement of Activities provide information about the financial activities of the District as a whole and a longer view of the District's finances.

Government-wide Financial Statements and Fund Financial Statements

The District has a single governmental fund that is its operating fund. The government-wide financial statements and the fund financial statements have been combined because the

**KINGSBURY GREENS COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

District is only reporting on the single program/fund. The government-wide information is included in the columns Statement of Net Position and Statement of Activities, on pages 6 through 9, and is designed to provide readers with a broad overview of the District as a whole and about its activities for the current period. They include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting methods used in the private sector. In this method, all of the current year's revenues and expenses are taken into account regardless of when cash is paid or received.

The fund financial statement information is included in the columns General Fund, on pages 6 through 9. This information focuses on how money flows into and out of the fund and the balance left at period end that is available for spending. The fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund information provides a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer resources that can be spent in the near future. At June 30, 2017 and 2016, the only differences between the governmental activities (government-wide information) and governmental funds (fund information) were the capital asset purchases and depreciation.

The District's Funds - Governmental Funds

The focus of the District's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As the District completed the 2016-2017 year, its governmental fund reported an ending fund balance of \$65,847. As the District completed the 2015-2016 year, its governmental fund reported an ending fund balance of \$63,486.

The general fund is the chief operating fund of the District. At the end of the twelve-month period ended June 30, 2017, the unassigned balance of the general fund was \$65,847. At the end of the twelve-month period ended June 30, 2016, the unassigned balance of the general fund was \$63,486. The unassigned amounts constitute balances that are available for spending at the District's discretion.

BUDGET

The final budget is adopted at the monthly meeting in June.

For fiscal year 2016-2017 the preliminary budget was adopted at \$26,195 for revenues and \$26,180 for expenditures and no changes to the budget were made during the year. Actual revenue for fiscal year 2016-2017 was \$25,897 and expenditures were \$23,623.

For fiscal year 2015-2016, the preliminary budget was adopted at \$24,553 for revenues and \$24,550 for expenditures and no changes to the budget were made during the year. Actual revenue for fiscal year 2015-2016 was \$23,122 and expenditures were \$20,944.

See pages 16 and 17 for the budget to actual comparisons. Variances between the budget and actual amounts were not significant.

**KINGSBURY GREENS COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

DISTRICT ASSETS

At the end of the 2016-2017 fiscal year, the District had \$121,421, invested in capital assets, net of accumulated depreciation. This total is further broken down into the following categories:

| | |
|-------------------------------|--------------|
| Sewer Plant and Equipment | \$ 339,074 |
| Less Accumulated Depreciation | \$ (217,653) |

At the end of the 2015-2016 fiscal year, the District had \$127,920, invested in capital assets, net of accumulated depreciation. This total is further broken down into the following categories:

| | |
|-------------------------------|--------------|
| Sewer Plant and Equipment | \$ 339,074 |
| Less Accumulated Depreciation | \$ (211,154) |

More detailed information about the District's capital assets is presented in Note 3 of the financial statements.

CASH BALANCES

In the 2016/2017 fiscal year, the District's cash funds were held on deposit with a local bank, and with the Nevada County Treasury. Interest generated by these funds is automatically deposited into the accounts.

In the 2015/2016 fiscal year, the District's cash funds were held on deposit with the Local Agency Investment Fund, with a local bank, and with the Nevada County Treasury. Interest generated by these funds is automatically deposited into the accounts.

The District's general operating cash accounts showed an increase of \$4,978 during the fiscal year ended June 30, 2017 and an increase of \$2,446 during the fiscal year ended June 30, 2016. The balance of these accounts at June 30, 2017 and 2016 were \$69,441 and \$64,463, respectively.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District expects no significant changes in economic factors that would affect revenue in the upcoming year. Property tax revenues are historically estimated to increase 2-3% per year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Any questions about this report or requests for additional information may be directed to the District Chairperson, 15460 Kingsbury Circle, Grass Valley, CA 95949.

KINGSBURY GREENS COMMUNITY SERVICES DISTRICT
GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION
JUNE 30, 2017

| | <u>General Fund</u> | <u>Adjustments</u> | <u>Statement of Net Position</u> |
|---|----------------------|---------------------|--------------------------------------|
| <u>Assets</u> | | | |
| Cash | \$ 69,441 | \$ - | \$ 69,441 |
| Capital Assets - Net of Accumulated Depreciation | - | 121,421 (a) | 121,421 |
| Total Assets | \$ 69,441 | 121,421 | 190,862 |
| <u>Liabilities & Fund Balances</u> | | | |
| Accounts Payable | \$ 3,594 | - | 3,594 |
| Total Liabilities | 3,594 | - | 3,594 |
| Fund Balances: | | | |
| Unassigned | 65,847 | (65,847) | - |
| Total Fund Balances | 65,847 | (65,847) | - |
| Total Liabilities & Fund Balances | \$ 69,441 | (65,847) | 3,594 |
| Net Position: | | | |
| Invested in Capital Assets - Net of Accumulated Depreciation | | 121,421 | 121,421 |
| Unrestricted | | 65,847 | 65,847 |
| Total Net Position | | \$ 187,268 | \$ 187,268 |

(a) Capital assets used in the governmental activities are not financial resources and therefore are not reported in the governmental fund activities.

See accompanying notes.

KINGSBURY GREENS COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE/ STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

| | <u>General Fund</u> | <u>Adjustments</u> | <u>Statement of Activities</u> |
|--|---------------------|--------------------|------------------------------------|
| Revenues: | | | |
| Special Assessments | \$ 26,190 | \$ - | \$ 26,190 |
| Interest | 35 | - | 35 |
| Total Revenues | <u>26,225</u> | <u>-</u> | <u>26,225</u> |
| Expenditures: | | | |
| Current General Governmental: | | | |
| Maintenance | 7,973 | - | 7,973 |
| Electricity | 6,671 | - | 6,671 |
| Professional Fees | 2,900 | - | 2,900 |
| CRWC Fees | 2,350 | - | 2,350 |
| Sludge Removal | 1,013 | - | 1,013 |
| Lab Fees | 1,933 | - | 1,933 |
| Secretarial Expenses | 725 | - | 725 |
| Miscellaneous Expenses | 241 | - | 241 |
| Office Expenses | 58 | - | 58 |
| Depreciation | - | 6,499 (a) | 6,499 |
| Total Expenditures | <u>23,864</u> | <u>6,499</u> | <u>30,363</u> |
| Excess (Deficiency) of Revenues over Expenditures | 2,361 | (2,361) | - |
| Change in Net Position | - | (4,138) | (4,138) |
| Fund Balance/Net Position: | | | |
| Beginning of the year | <u>63,486</u> | <u>-</u> | <u>191,406</u> |
| End of the year | <u>\$ 65,847</u> | <u>\$ -</u> | <u>\$ 187,268</u> |

(a) Depreciation is an expense reported in the statement of activities that does not require the use of current financial resources, and therefore is not reported as an expenditure in the governmental fund activities.

See accompanying notes.

KINGSBURY GREENS COMMUNITY SERVICES DISTRICT
GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION
JUNE 30, 2016

| | <u>General Fund</u> | <u>Adjustments</u> | <u>Statement of Net Position</u> |
|---|---------------------|--------------------|--------------------------------------|
| <u>Assets</u> | | | |
| Cash | \$ 64,463 | \$ - | \$ 64,463 |
| Capital Assets - Net of Accumulated Depreciation | - | 127,920 (a) | 127,920 |
| Total Assets | \$ 64,463 | 127,920 | 192,383 |
| <u>Liabilities & Fund Balances</u> | | | |
| Accounts Payable | \$ 977 | - | 977 |
| Total Liabilities | 977 | - | 977 |
| Fund Balances: | | | |
| Unassigned | 63,486 | (63,486) | - |
| Total Fund Balances | 63,486 | (63,486) | - |
| Total Liabilities & Fund Balances | \$ 64,463 | (63,486) | 977 |
| Net Position: | | | |
| Invested in Capital Assets - Net of Accumulated Depreciation | | 127,920 | 127,920 |
| Unrestricted | | 63,486 | 63,486 |
| Total Net Position | | \$ 191,406 | \$ 191,406 |

(a) Capital assets used in the governmental activities are not financial resources and therefore are not reported in the governmental fund activities.

See accompanying notes.

**KINGSBURY GREENS COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE/ STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

| | <u>General Fund</u> | <u>Adjustments</u> | <u>Statement of Activities</u> |
|-------------------------------|---------------------|--------------------|------------------------------------|
| Revenues: | | | |
| Special Assessments | \$ 24,570 | \$ - | \$ 24,570 |
| Interest | 34 | - | 34 |
| Total Revenues | <u>24,604</u> | <u>-</u> | <u>24,604</u> |
| Expenditures/Expenses: | | | |
| Current General Governmental: | | | |
| Maintenance | 7,800 | - | 7,800 |
| Electricity | 6,788 | - | 6,788 |
| Lab Fees | 2,376 | - | 2,376 |
| CRWC Fees | 2,350 | - | 2,350 |
| Miscellaneous Expenses | 1,482 | - | 1,482 |
| Sludge Removal | 690 | - | 690 |
| Secretarial Expenses | 640 | - | 640 |
| Professional Fees | 300 | - | 300 |
| Depreciation | - | 6,499 (a) | 6,499 |
| Total Expenditures/Expenses | <u>22,426</u> | <u>6,499</u> | <u>28,925</u> |
| Excess (Deficiency) of | | | |
| Revenues over Expenditures | 2,178 | (2,178) | - |
| Change in Net Position | - | (4,321) | (4,321) |
| Fund Balance/Net Position: | | | |
| Beginning of the year | <u>61,308</u> | <u>-</u> | <u>195,726</u> |
| End of the year | <u>\$ 63,486</u> | <u>\$ -</u> | <u>\$ 191,406</u> |

(a) Depreciation is an expense reported in the statement of activities that does not require the use of current financial resources, and therefore is not reported as an expenditure in the governmental fund activities.

See accompanying notes.

KINGSBURY GREENS COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 – NATURE OF THE ORGANIZATION

Description of the Organization

The Kingsbury Greens Community Services District (the District) operates for the exclusive use of a 45-unit condominium complex built in 1977. The District was formed in 1995 by the Nevada County Board of Supervisors.

The District's primary source of revenue is established fees for the condominium owners which are collected by Nevada County as property taxes.

The District is administered by a Board of Directors that acts as the authoritative and legislative body of the entity. The Board is comprised of five board members. Board members are appointed by the Nevada County Board of Supervisors. No board members are compensated for their services on the Board of Directors.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Accounting

Government-wide and Fund Financial Statement

The District has a single program and therefore combined the government-wide and fund financial statements. The government-wide financial statements information (i.e., the statement of net position and the statement of activities) reports information on the primary government (District) as a whole.

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 by the provider have been met.

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. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the District considers revenues to be available if they are collected within sixty days after the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred as under accrual accounting.

KINGSBURY GREENS COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. At June 30, 2017 and 2016, the District's major fund was its single governmental fund; the General Fund. This fund accounts for the general operations of the District.

Governmental Funds

Governmental funds are those through which most governmental functions typically are transacted. Governmental funds reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

Fund Balances

The Government Accounting Standards Board (GASB) has issued Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) requires the fund balance amounts to be properly reported within one of the fund balance categories as noted below.

- **Nonspendable** –
This category includes elements of the fund balance that cannot be spent because of their form, or because they must be maintained intact. For example:
 - Assets that will never convert to cash, such as prepaid items and inventories of supplies;
 - Assets that will not convert to cash soon enough to affect the current period, such as non-financial assets held for resale; or
 - Resources that must be held intact pursuant to legal or contractual requirements, such as revolving loan fund capital or the principal of an endowment.

- **Restricted** –
This category includes resources that are subject to constraints that are externally enforceable legal restrictions. Examples include:
 - Funding from the state, federal entities, or foundations that are legally restricted to specific uses. For example, funds advanced by a federal entity under specific agreements for services, or matching funds for specific initiatives.
 - Funds legally restricted by county, state, or federal legislature, or a government's charter or constitution.
 - Amounts collected from non-spendable items, such as the long term portion of loan outstanding, if those amounts are also subject to legal constraints.
 - Funding that has been designated for legally enforceable contracts but not yet spent.

**KINGSBURY GREENS COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 2 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Balances - Continued

- **Committed –**

Two criteria determine the District’s fund balance:

1. Use of funds is constrained by limits imposed by the government’s highest level of decision making. The highest level of decision making for the District would be the Board of Directors.
2. Removal or modification of use of funds can be accomplished only by formal action of the authority (i.e., Board of Directors) that established the constraints.

Both commitments and modifications or removal must occur prior to the end of reporting period; that is, the fiscal year being reported upon.

- **Assigned –**

The assigned portion of the fund balance reflects the District’s intended use of resources, which is established either by the Board of Directors, a body created by the Board, such as a finance committee, or an official designated by the Board. The “assigned” component is similar to the “committed” component, with two essential differences, shown in the following table:

| Key Differences Between Committed and Assigned Fund Balance | | |
|---|-----------|----------|
| | Committed | Assigned |
| A decision to use funds for a specific purpose requires action of the Board of Directors | Yes | No |
| Formal action of the Board of Directors is necessary to impose, remove or modify this constraint and formal action has taken place before end of reporting period | Yes | No |

Another key difference is that the purpose of the assignment must be narrower than the fund itself. Resources that fit into this category include:

- Appropriation of a portion of existing fund balance sufficient to eliminate a projected deficit in the subsequent year’s budget.
- Resources assigned to a specific program or project or organization for which the District has approved a plan or budget
- Resources approved by the District for a long range financial plan where formal approval is not required to modify the amount.

**KINGSBURY GREENS COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 2 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Balances - Continued

- **Unassigned –**
This category includes the fund balance that cannot be classified into any of the other categories.

If situations arise where there is a possibility of assignment into more than one category, the committed amount will be reduced first, followed by assigned amounts and then unassigned amounts.

Budget

The Board provides for a budget for the general fund for the fiscal year. The Board prepares and adopts a final budget in June for the coming year. Supplemental appropriations are adopted throughout the year as necessary.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fixed Assets

Capital assets are capitalized at acquisition cost; donated equipment is recorded at fair market value at the time of donation. The District does not possess any infrastructures. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not. Depreciation for the government-wide financial statements is calculated using the straight-line method over the estimated life of the asset.

Cash

During the 2016/2017 and 2015/2016 fiscal years, most cash was held with a banking institution, with a small balance also held by the Nevada County Treasury. Interest is apportioned to the District based on the average daily balances on deposit with the Treasury.

NOTE 3 – SPECIAL TAX COLLECTIONS

Taxes are levied on November 1 of the fiscal year and can be paid in two equal installments. The first and second installments are due November 1 and February 1, respectively, and are considered delinquent if not paid before the close of business on December 10 and April 10, respectfully. After June 30, delinquent taxes are in tax default and a property lien attaches to the secured property the following fiscal year on March 1. Tax default property can be sold after five years.

**KINGSBURY GREENS COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 4 – FIXED ASSETS

The following is a summary of changes in fixed assets:

| <u>Description</u> | <u>Balance at June 30, 2016</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance at June 30, 2017</u> |
|--|-------------------------------------|------------------|------------------|-------------------------------------|
| Sewer Plant | \$ 331,212 | \$ - | \$ - | \$ 331,212 |
| Sewer Equipment | 7,862 | - | - | 7,862 |
| Total Capital Assets | 339,074 | - | - | 339,074 |
| Less: Accumulated Depreciation | (211,154) | (6,499) | - | (217,653) |
| Total Capital Assets, net of Accumulated Depreciation | \$ 127,920 | \$ (6,499) | \$ - | \$ 121,421 |

| <u>Description</u> | <u>Balance at June 30, 2015</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance at June 30, 2016</u> |
|--|-------------------------------------|------------------|------------------|-------------------------------------|
| Sewer Plant | \$ 331,212 | \$ - | \$ - | \$ 331,212 |
| Sewer Equipment | 7,862 | - | - | 7,862 |
| Total Capital Assets | 339,074 | - | - | 339,074 |
| Less: Accumulated Depreciation | (204,655) | (6,499) | - | (211,154) |
| Total Capital Assets, net of Accumulated Depreciation | \$ 134,418 | \$ (6,499) | \$ - | \$ 127,920 |

Depreciation expense for the fiscal years ended June 30, 2017 and 2016 was \$6,499 and \$6,499, respectively.

NOTE 5 – FUND BALANCE

The District has the option each year to request that the excess revenues over expenditures be appropriated to either the committed or unassigned fund balance. The committed fund balance is intended to be used for the purchase of equipment and also to cover budget shortfalls that may occur. The entire fund balance at June 30, 2017 and June 30, 2016 was unassigned.

NOTE 6 – CREDIT RISK, CARRYING VALUE AND MARKET VALUE OF INVESTMENTS

Most cash at June 30, 2017 and 2016 was held in a bank account. The entire balance in this bank account was covered by the Federal Deposit Insurance Corporation (FDIC).

A small amount of cash at June 30, 2017 and 2016 was pooled for investment purposes and held by the Nevada County Treasury. Interest is apportioned to the District based on the average daily balances on deposit with the Fund and Treasury.

**KINGSBURY GREENS COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 6 – CREDIT RISK, CARRYING VALUE AND MARKET VALUE OF INVESTMENTS – CONTINUED

The Nevada County Treasury is an external investment pool for the District and the District is considered an involuntary participant.

The District adopted Governmental Accounting Standards Board (GASB) Statement No. 31 “Accounting for Financial Reporting and Certain Investments and for External Investment Pools” during 1998. This statement requires investments be carried at fair value if the difference between carrying value and fair value is material. Fair value is based on quoted market prices.

There were no differences between the carrying amount and the fair value of cash held in the Nevada County Treasury at June 30, 2017 and 2016; therefore, adjustments to fair value were not required for GASB 31 compliance.

| | | |
|------------------------------|------------------------|----------|
| Pooled Investments: | Nevada County Treasury | |
| | 2017 | 2016 |
| Carrying Amount & Fair Value | \$ 1,319 | \$ 1,234 |

NOTE 7 – SUBSEQUENT EVENTS

Events subsequent to June 30, 2017 have been evaluated through December 31, 2018, the date at which the District’s audited financial statements were available to be issued. No events requiring disclosure have occurred through this date.

REQUIRED SUPPLEMENTARY INFORMATION

KINGSBURY GREENS COMMUNITY SERVICES DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
GENERAL FUND
JUNE 30, 2017

| | <u>Original and Final Budget</u> | <u>General Fund Actual</u> | <u>Variance with Final Budget (unfavorable)</u> |
|---|--------------------------------------|--------------------------------|---|
| Revenues | | | |
| Special Assessments | \$ 26,180 | \$ 26,190 | \$ 10 |
| Interest | 15 | 35 | 20 |
| Total Revenue | <u>26,195</u> | <u>26,225</u> | <u>30</u> |
| Expenditures | | | |
| Administration | | | |
| Secretary | 850 | 725 | 125 |
| Professional Fees | 1,650 | 2,900 | (1,250) |
| Office Expense | 50 | 58 | (8) |
| Collection Fees | 125 | - | 125 |
| CRWC Fees | 2,500 | 2,350 | 150 |
| Service Charges | 50 | - | 50 |
| LAFCO Dues | 25 | - | 25 |
| Permits | 50 | - | 50 |
| Miscellaneous Expenses | - | 241 | (241) |
| Operations | | | |
| Electricity | 7,500 | 6,671 | 829 |
| Sludge Removal | 2,280 | 1,013 | 1,267 |
| Contingencies | 200 | - | 200 |
| Capital Replacement | 800 | - | 800 |
| Lab Fees | 2,100 | 1,933 | 167 |
| Maintenance | | | |
| Maintenance Contract | 8,000 | 7,973 | 27 |
| Total Expenditures | <u>26,180</u> | <u>23,864</u> | <u>2,316</u> |
| Excess of Revenues Over (Under) Expenditures | 15 | 2,361 | 2,346 |
| Fund Balance Beginning of Year | 63,486 | 63,486 | - |
| Fund Balance End of Year | <u>\$ 63,501</u> | <u>\$ 65,847</u> | <u>2,346</u> |

See independent auditor's report and notes to financial statements.

KINGSBURY GREENS COMMUNITY SERVICES DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
GENERAL FUND
JUNE 30, 2016

| | <u>Original and Final Budget</u> | <u>General Fund Actual</u> | <u>Variance with Final Budget (unfavorable)</u> |
|---|--------------------------------------|--------------------------------|---|
| Revenues | | | |
| Special Assessments | \$ 24,548 | \$ 24,570 | \$ 22 |
| Interest | 5 | 34 | 29 |
| Total Revenue | <u>24,553</u> | <u>24,604</u> | <u>51</u> |
| Expenditures | | | |
| Administration | | | |
| Secretary | 1,100 | 690 | 410 |
| Professional Fees | 1,650 | 640 | 1,010 |
| Office Expense | 100 | - | 100 |
| Collection Fees | 125 | - | 125 |
| CRWC Fees | 1,250 | 2,350 | (1,100) |
| Service Charge | 108 | - | 108 |
| LAFCO Dues | 25 | - | 25 |
| Permits | 100 | - | 100 |
| Miscellaneous Expenses | - | 300 | (300) |
| Operations | | | |
| Electricity | 5,896 | 6,788 | (892) |
| Sludge Removal | 2,280 | 2,376 | (96) |
| Contingencies | 516 | - | 516 |
| Capital Replacement | 1,200 | - | 1,200 |
| Lab Fees | 2,100 | 1,482 | 618 |
| Maintenance | | | |
| Maintenance Contract | 8,000 | 7,800 | 200 |
| Additional Maintenance | 100 | - | 100 |
| Total Expenditures | <u>24,550</u> | <u>22,426</u> | <u>2,124</u> |
| Excess of Revenues Over (Under) Expenditures | 3 | 2,178 | 2,175 |
| Fund Balance Beginning of Year | 62,564 | 61,308 | - |
| Fund Balance End of Year | <u>\$ 62,567</u> | <u>\$ 63,486</u> | <u>2,175</u> |

See independent auditor's report and notes to financial statements.

P.O. Box 160
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Communication of Significant Deficiencies and Material Weaknesses

To the Board of Directors
Kingsbury Greens Community Services District
15460 Kingsbury Circle
Grass Valley, CA 95949

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Kingsbury Greens Community Services District (District) as of and for the year ended June 30, 2017 and 2016, in accordance with auditing standards generally accepted in the United States of America, we considered District 's internal control over financial reporting (internal control) as a basis for designing 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the following deficiencies in internal control to be material weaknesses:

17-01 & 16-01: Reliance upon Auditor for Generally Accepted Accounting Principles (Uncorrected from prior years)

Condition: To assure compliance with generally accepted accounting principles, management relies on the auditor to prepare for approval the adjusting entries necessary to convert the District's financial statements from the cash basis of accounting to the accrual basis of accounting, and to draft the financial statements and footnote disclosures.

Criteria: Auditing standards state that the auditor may not be part of the District's internal control system. Someone in the District must be knowledgeable in generally accepted accounting principles and capable of preparing financial statements in conformity with generally accepted accounting principles.

Cause: The District does not have either an employee educated in generally accepted accounting principles or an accounting firm engaged to prepare full-disclosure financial statements in conformity with generally accepted accounting principles prior to the biennial audit.

Effect: District must rely on auditor to prepare financial statements in conformity with generally accepted accounting principles for management approval.

Recommendation: Whenever financial statements are required to be issued prior to the audit, we recommend that management consider the cost benefit of hiring an accountant familiar with generally accepted accounting principles or hiring an independent CPA firm to prepare financial statements in conformity with generally accepted accounting principles.

2017-01 & 2016-01: Lack of Segregation of Duties

Condition: The District does not have adequate segregation of duties over revenue recognition, disbursements, payroll, bank reconciliations and financial statement preparation.

Criteria: Good internal control design requires that there be a segregation of duties between cash disbursement, revenue receipt and recognition, payroll and bank reconciliation and financial statement preparation functions. Compensating controls mitigate the risk of material misstatement but do not eliminate the internal control deficiency.

Cause: The District does not have sufficient resources and has a small number of staff.

Effect: Unknown.

Recommendation: We understand that there are compensating controls in the use of an outside management firm that mitigates the risk of material misstatement but because of the size of the District, complete segregation of duties is not achievable. We recommend continuing compensating controls and documentation of those controls.

2017-01 & 2016-01: Internal Controls Over the Disbursement Process

Condition: There is no access to the cancelled checks. Invoices were paid without the notation of approval to pay.

Criteria: The District should obtain and review cancelled checks to confirm it agrees with supporting documentation and the check register. Invoices should be approved for payment prior to the payment. The approval should include who approved the payment and when.

Cause: The District does not receive cancelled checks from the bank and has a small number of staff.

Effect: Invoices and checks could have been paid for expenses that should not have been paid.

Recommendation: We recommend that management design and implement additional internal controls over the disbursement process.

This communication is intended solely for the information and use of management and the Board of Directors, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Jensen Smith". The signature is written in a cursive style with a large, looping initial "J".

Jensen Smith
Certified Public Accountants
Lincoln, California
December 31, 2018

P.O. Box 160
Lincoln, CA 95648
Office (916) 434-1662
Fax (916) 434-1090

December 31, 2018

To the Board of Directors
Kingsbury Greens Community Services District
15460 Kingsbury Circle
Grass Valley, CA 95949

Dear Ladies and Gentlemen,

In planning and performing our audit of the financial statements of Kingsbury Greens Community Services District (the District) for the years ended June 30, 2017 and 2016, we considered the District's internal controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we may become aware of matters which do not rise to the level of a significant deficiency or material weakness but which are opportunities for strengthening internal controls and operating efficiency.

We reported on the District's internal control in the preceding report. This letter does not affect our reports dated December 31, 2018 on the financial statements or internal control of the District.

We noted during revenue testing the following:

- 1) Special assessment revenue is only accounting for transfer to Bank of America. We recommend recording the full special assessment revenue amount as reported by the County of Nevada.
- 2) County interest revenue is not being recorded. We recommend recording the county interest revenue amount.

If you have any questions, please feel free to contact us.



Jensen Smith
Certified Public Accountants
Lincoln, California