2019

Rainbow Lakes Estates Municipal Service District

Independent Auditor's Report and Financial Statements

For Fiscal Year Ended September 30, 2019

PURVIS GRAY
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS

RAINBOW LAKES ESTATES
MUNICIPAL SERVICE DISTRICT
RAINBOW LAKES ESTATES, FLORIDA

SEPTEMBER 30, 2019

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INDEPENDENT AUDITOR'S REPORT

The Honorable Board of County Commissioners
Marion County, Florida

We have audited the accompanying financial statements of the Rainbow Lakes Estates Municipal Service District (the District) as of and for the year ended September 30, 2019, and the related notes to the 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 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 opinion.

The Honorable Board of County Commissioners
Marion County, Florida

INDEPENDENT AUDITOR'S REPORT

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of September 30, 2019, and its changes in financial position 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 management's discussion and analysis, the budgetary comparison information, schedule of changes in other postemployment benefits liability and related ratios, the schedule of proportionate share of net pension liability, and schedule of contributions 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.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued a report dated April 15, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 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.

Purvis Gray

April 15, 2020
Ocala, Florida

RAINBOW LAKES ESTATES MUNICIPAL SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019

The Rainbow Lakes Estates Municipal Service District (the District) management discussion and analysis presents an overview of the District's financial activities for the fiscal year ended September 30, 2019. Please read in conjunction with the District's financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2019 by $4,089,748 (net position), a decrease of $170,340 for the year.

- During fiscal year 2019, the District's revenue increased by 7%, while expenditures increased by 11% from the prior fiscal year.

- During fiscal year 2019, governmental funds revenues exceeded governmental funds expenditures by $69,307.

- During fiscal year 2019, capital assets increased by $7,375, for purchases of equipment, and decreased by $212,957 for depreciation.

- During fiscal year 2019, the District's revenues exceeded budgeted amounts by $43,632, and expenditures were less than budgeted amounts by $775,042.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of combined fund financial statements and government-wide statements and notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements.

The government-wide financial statements that consist of the following two statements are designed to provide readers with a broad overview of the District's finances.

The Statement of Net Position presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during fiscal year 2019. All changes in net position are reported as soon as the underlying event, giving rise to the change, occurs regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Condensed Financial Statements

Rainbow Lakes Estates Municipal Service District
Net Position

	September 30, 2019	September 30, 2018
Current and Other Assets	$ 1,158,924	$ 1,088,930
Capital Assets, Net	3,118,465	3,324,047
Total Assets	4,277,389	4,412,977
Deferred Outflows of Resources	53,250	64,952
Total Deferred Outflows	53,250	64,952
Current and Other Liabilities	18,988	17,701
Long-Term Liabilities	190,666	167,812
Total Liabilities	209,054	185,513
Deferred Inflows of Resources	31,837	32,328
Total Deferred Inflows	31,837	32,328
Net Position:		
Net Investment in Capital Assets	3,118,465	3,324,047
Restricted	971,283	936,041
Total Net Position	$ 4,089,748	$ 4,260,088

Rainbow Lakes Estates Municipal Service District
Change in Net Position
For the Year Ended September 30

	2019	2018
Revenues	$ 442,840	$ 414,117
Expenditures	(613,180)	(553,721)
Changes in Net Position	(170,340)	(139,604)
Net Position, Beginning of Year	4,260,088	4,399,692
Net Position, End of Year	$ 4,089,748	$ 4,260,088

The combined fund financial statements and government-wide financial statements can be found on pages 6-7 of this report.

Governmental Funds

The general fund is the District's primary operating account. All revenues and expenditures are accounted for in the fund. The focus of the fund is to provide information on *near-term* inflows, outflows, and balances of spendable resources.

Notes to the Financial Statements

The notes to the financial statements are essential in understanding the data provided in the financial statements. The notes can be found on pages 8 through 24.

Budgetary Comparison

The District adopts an annual budget for its general fund. A budgetary comparison schedule has been provided to demonstrate budgetary compliance and can be found on page 25.

Capital Assets and Debt Administration

The District's investment in capital assets as of September 30, 2019, amounts to $3,118,465. This investment consists of land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure. Accumulated Depreciation totals $2,866,080 (see Note 4 for further information). The District had no bonded debt outstanding at the close of the fiscal year.

Request for Information

This financial report is designed to provide a general overview of the finances for those with an interest in the District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District or to the Marion County Clerk of the Circuit Court and Comptroller, Finance Department, 110 NW First Avenue, Ocala, Florida, 34475.

FINANCIAL STATEMENTS

STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
SEPTEMBER 30, 2019
RAINBOW LAKES ESTATES MUNICIPAL SERVICE DISTRICT
RAINBOW LAKES ESTATES, FLORIDA

	General Fund	Adjustments (Note 2)	Total
Assets			
Cash and Cash Equivalents	$ 1,157,771	$ -	$ 1,157,771
Due from Other Funds	102	-	102
Due from Other Governmental Units	614	-	614
Prepaid Expenditures	437	-	437
Capital Assets:			
Capital Assets, Not Being Depreciated	-	188,367	188,367
Capital Assets, Being Depreciated, Amortized (Net)	-	2,930,098	2,930,098
Total Assets	1,158,924	3,118,465	4,277,389
Deferred Outflows of Resources			
Deferred Outflows on Other Postemployment Benefits		780	780
Deferred Outflows on Pension Liabilities		52,470	52,470
Total Deferred Outflows of Resources		53,250	53,250
Liabilities			
Accounts Payable	8,597	-	8,597
Accrued Liabilities	7,324	-	7,324
Due to Other Governmental Units	149	-	149
Deposits	2,318	-	2,318
Compensated Absences	-	9,572	9,572
Other Postemployment Benefits	-	17,270	17,270
Net Pension Liability	-	163,824	163,824
Total Liabilities	18,388	190,666	209,054
Deferred Inflows of Resources			
Deferred Inflows on Other Postemployment Benefits		1,248	1,248
Deferred Inflows on Pension Liabilities		30,589	30,589
Total Deferred Inflows of Resources		31,837	31,837
Fund Balance			
Non-Spendable - Prepaids	437	(437)	-
Restricted for:			
Transportation Maintenance	1,140,099	(1,140,099)	-
Total Fund Balance	1,140,536	(1,140,536)	-
Total Liabilities and Fund Balance	$ 1,158,924		
Net Position			
Investment in Capital Assets		3,118,465	3,118,465
Restricted for:			
Transportation		971,283	971,283
Total Net Position		$ 4,089,748	$ 4,089,748

See accompanying notes.

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019
RAINBOW LAKES ESTATES, FLORIDA

	General Fund	Adjustments (Note 2)	Total
Revenues			
Taxes	$ 250,860	$ -	$ 250,860
Permits and Fees	153,049	-	153,049
Charges for Services	15	-	15
Investment Income	29,334	-	29,334
Miscellaneous Revenues	9,582	-	9,582
Total Revenues	442,840	-	442,840
Expenditures			
Current:			
General Government	171,533	7,772	179,305
Transportation	194,625	26,293	220,918
Depreciation	-	212,957	212,957
Capital Outlay	7,375	(7,375)	-
Total Expenditures	373,533	239,647	613,180
Net Revenue (Expenditures)	69,307	(69,307)	-
Net Change in Net Position	-	(170,340)	(170,340)
Fund Balance/Net Position, Beginning of Year	1,071,229	3,188,859	4,260,088
Fund Balance/Net Position, End of Year	$ 1,140,536	$ 2,949,212	$ 4,089,748

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS
RAINBOW LAKES ESTATES MUNICIPAL SERVICE DISTRICT
RAINBOW LAKES ESTATES, FLORIDA

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Marion County Florida Board of County Commissioners (the Board) conform to generally accepted accounting principles, as applicable to governments. The following is a summary of the more significant policies:

Reporting Entity

The Rainbow Lakes Estates Municipal Service District (the District) was created under the Laws of Florida, Chapter 69-1298, and Marion County Code Sections A5-1 through A5-7. The Board acts as the governing authority of the District, thus having significant influence over its operations and fiscal management. The District is reported as a special revenue fund within Marion County Florida's (the County) overall basic financial statements.

Financial Statements

These financial statements are presented for the purpose of complying with state law, which requires separate financial reporting for Special Districts overlapping two or more counties and, accordingly, does not present entity-wide financial statements in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34. All other relevant aspects of GASB Statement No. 34 have been incorporated into this report.

Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are inter-related. The governmental activities column incorporates data from the governmental fund.

Basis of Presentation – Fund Financial Statements

The financial transactions of the District are recorded in the general fund.

■ **Description of Funds and Account Groups**

- **Governmental Fund Type**—Governmental funds are those through which most governmental functions are financed. The acquisition, use, and balances of the District's expendable financial resources and the related liabilities are accounted for through a special revenue fund. The measurement focus is upon determination of changes in financial position rather than upon net income determination.

- **Special Revenue Funds**—Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than the debt service or capital projects.

- **Restricted Fund Balance**—Fund Balance should be reported as restricted when constraints are placed on the use of resources, such as enabling legislation, which authorizes the government to assess, levy, charge, or otherwise mandate payment of resources.

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 when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Governmental fund types are accounted for on a spending or financial flow measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. Reported fund balance (net current assets) is considered a measure of "available, spendable, or appropriable resources". Governmental fund type operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Basis of Accounting
Governmental fund type revenues and expenditures are recognized on the modified accrual basis. This method recognizes revenues in the accounting period in which they become available and measurable. Expenditures are recognized in the period in which the fund liability is incurred (except unmatured interest on general long-term debt, which is recognized when due). Property taxes levied for the 2018 calendar year are not considered available at September 30, 2019, since a legally enforceable claim did not exist as of that date, and those revenues are not collected in sufficient time thereafter to be used for fiscal 2019 expenditures.

Budgetary Requirements
The following procedures are utilized by the County in establishing and/or amending the budgetary information contained in the financial statements (the District's budget is included in the County's budget):

- On or before June 1 of each year, the Clerk of the Circuit Court, Sheriff, Supervisor of Elections, and Tax Collector each submit a proposed operating budget for the ensuing fiscal year to the Board.

- The proposed operating budget of the Property Appraiser must be presented to the Board on or before June 1 of each year and is simultaneously submitted by the Property Appraiser to the State of Florida, Department of Revenue, from which the final approval of the budget of the Property Appraiser must emanate.

  On or before July 15 of each year, or within 15 days after the receipt of the certified taxable property values from the Property Appraiser, whichever occurs last, the Clerk of the Circuit Court, as Clerk to the Board (and budget officer), presents to the Board a proposed budget for the fiscal year commencing the following October 1. Pursuant to the provisions of Section 129.01, Florida Statutes, the proposed budgets as submitted contain balanced statements of estimated revenues (including unexpended fund balances to be carried forward) and proposed appropriations for each fund required to be presented by laws or by sound financial practices, including the general, special revenue, debt service, and capital projects funds.

- Following is a preliminary review of the proposed budgets by the Board, whose members make such changes as are deemed necessary (provided that the proposed budget for each fund remains balanced), the Board causes a notice of proposed property taxes to be mailed to each County property taxpayer. Included in the notice is a statement of the Board's intent to hold a public hearing to consider adoption of the tentative millage rates and budgets, as well as a comparison of the taxpayer's proposed property tax bill with the actual tax bill of the preceding year.

- Following successful completion of the above-referenced public hearings, the Board advertises, and subsequently conducts, a second public hearing to finally adopt a millage rate and budget for each of the taxing entities under their jurisdiction. These public hearings are ordinarily held prior to October 1 of each year. If, however, for some reason the Board is unable to finally adopt a budget prior to October 1, state law permits the re-adoption by resolution of the budget of the preceding year as an interim measure.

- Pursuant to the provisions of Section 129.07, Florida Statutes, the Board is prohibited from expending or contracting for the expenditure of any amount in excess of the total amount budgeted in any fund. It is, however, legally permissible at the present time for the budgets of individual departments included within a particular fund to be over expended in total without requiring mandatory action by either the Board, the Clerk of the Circuit Court, as Clerk to the Board (the budget officer), or the County Administrator. Transfers of appropriate amounts between funds require approval of the Board.

- Subsequent to final adoption of the budget by the Board, changes to the budget, as enacted, are only required (by either statutory law or current management practices) when revenues not anticipated in the original budget document are received, which management wishes to have appropriated during the current year, resulting in an increase to the total appropriations of a fund. Such increases can only be incorporated into the budget document following approval by the Board at a duly advertised public hearing held to consider the adoption of the supplemental budgets.

- Adoption and execution of the budgets are governed in accordance with applicable provisions of the Florida Statutes.

- Formal budgetary integration at the object level is used as a management control device for all governmental funds of the Board for which annual budgets are adopted, including the general, special revenue, debt service, and capital projects funds. The level at which expenditures may not legally exceed appropriations is the fund level.

- Budgets for the general fund, special revenue, debt service, and capital projects funds are adopted on a basis consistent with generally accepted accounting principles.

- All appropriations lapse at the end of each fiscal year, although the Board expects to honor purchase orders and contracts in process, subject to authority provided in the subsequent year's budgets.

Property Taxes

Under Florida law, the assessment of all properties and the collection of all county, municipal, and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the State of Florida regulating tax assessment are also designed to assure a consistent property valuation method state-wide. Florida Statutes permit counties to levy property taxes at a rate of up to 10 mills.

The tax levy of the County is established by the Board prior to October 1 of each year and the Tax Collector incorporates the mileages into the total tax levy, which includes the municipalities, the independent districts, and the County School Board tax requirements, and produces the tax bill.

All property is reassessed according to its fair market value on January 1 of each year. Each assessment roll is submitted to the Executive Director of the State of Florida, Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of Florida Statutes.

All taxes are due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, and 1% in the month of February. Taxes paid in March are without discount.

On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property. Delinquent taxes on real property bear interest at 18% per year or as bid in a public sale of tax certificates. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Unsold certificates are held by the County.

Delinquent taxes on personal property bear interest at 18% per year until the tax is satisfied, either by seizure and sale of the property or by the seven-year statute of limitations.

The Board does not accrue its portion of the county-held tax sale certificates or personal property tax warrants because such amounts are not measurable and available as of the balance sheet date.

Key dates in the property tax cycle for the fiscal year ended September 30, 2019, were as follows:

Assessment Roll Certified	June 2018
Beginning of Fiscal Year for Which Taxes Have Been Levied	October 2018
Property Taxes Levied	October 2018
Tax Bills Issued	November 1, 2018
Property Taxes Due by:	
For Maximum Discount	November 30, 2018
Delinquent after	March 31, 2019
Tax Certificates (Liens) Sold on Unpaid Property Taxes	No later than June 1, 2019

Equity in Pooled Cash and Investments

The Board maintains a pooled cash fund, which allows the various funds of the Board to pool monies for investment purposes. The Board maintains records to identify the equity of each fund investing in the pool as well as amounts borrowed from the pool. Investment earnings of the pool are recorded as earned and are allocated to the participating funds based on the respective funds average daily balance. The equity in pooled cash consists of cash, U.S. Treasuries, federal instrumentalities, corporate notes/obligations, money market funds, and municipal bonds.

Capital Assets
Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the statement of net position of the County. Property and equipment with initial individual costs that equal or exceed $1,000 and estimated useful lives of over one year are recorded as capital assets. Buildings and improvements with initial individual costs that equal or exceed $25,000 are recorded as capital assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The District capitalizes major expenditures for additions and improvements. Expenditures for maintenance and repairs are charged to operating expenses.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and Improvements	10-30
Machinery, Equipment, and Vehicles	5
Infrastructure	15-50

Compensated Absences
The District's reporting of accumulated unused compensated absences has been recorded in accordance with GASB Statement No. 16. A liability is accrued for an employee's rights to receive compensation for future absences when certain conditions are met. In general, it is the County's policy to grant all permanent full-time and part-time employees leave based upon the number of years of employment. Employees are encouraged to use their annual leave in the year that it is earned. All vacation pay is accrued and incurred in the government-wide statement.

Deferred Outflows and Deferred Inflows of Resources
In addition to assets and liabilities, the District reports the financial statement elements of deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future period and will not be recognized as an outflow of resources (expenditure or expense) until that applicable time. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that applicable time.

The District reports two items that qualify as deferred outflows of resources on its government-wide statement of net positon, the deferred outflows for OPEB and deferred outflows for pensions. The deferred amounts for OPEB are an aggregate of items related to OPEB as calculated in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension*. The deferred outflows for pensions are an aggregate of items related to pensions and are calculated in accordance with GASB Statements No. 68, *Accounting and Financial Reporting for Pensions* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This deferred outflows for OPEB and pensions will be recognized as pension expense or a reduction of net OPEB or pension liabilities in future reporting years.

The District reports two items that qualify as deferred inflows of resources on its government-wide statements of net position, the deferred inflows for OPEB and deferred inflows for pensions. The deferred inflows for OPEB are an aggregate of items related to OPEB as calculated under the same principles as the deferred outflows for OPEB. The deferred inflows for pensions are an aggregate of items related to pensions as calculated under the same principles as the deferred outflows for pensions. Both will be recognized as a reduction to OPEB or pension expenses in future reporting years.

Fund Balance Reporting and Governmental Fund-Type Definitions
Governmental fund balances are classified as either non-spendable or spendable. Spendable fund balances are further classified below non-spendable in a hierarchy based on the extent to which there are external and internal constraints on the spending of these fund balances. These classifications are described as follows:

Non-Spendable Fund Balance – includes amounts that cannot be spent because they are not in spendable form are legally or contractually required to be maintained intact. Non-spendable governmental fund balances at September 30, 2019, are for inventories and prepaid items.

Restricted Fund Balance – includes amounts that can be spent only for the specific purposes stipulated by external resources providers either constitutionally or thru enabling legislation. Examples include grants and impact fees.

Committed Fund Balance – includes amounts that can only be used for the specific purpose determined by a formal action of the government’s highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action of an ordinance approved by the Board at a regular meeting that imposed the constraint originally.

Assigned Fund Balance – includes amounts intended to be used by the government for specific purposes. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that the resources in other governmental funds are, at a minimum, intended to be used for that purpose of that fund.

Unassigned Fund Balance – is the residual classification of a general fund only. Unassigned amounts are technically available for any purpose in the general fund. Deficit fund balances in other governmental funds are also classified as unassigned.

When multiple categories are available for expenditures, the District will start with the most restricted category in its order of use (restricted resources are used first, followed by committed resources, followed by assigned resources). Unassigned fund balance is used when expenditures are incurred for purposes which amounts in any classification could be used.

Note 2 - Explanation of Differences Between the Government-Wide Financial Statements and the Governmental Fund Financial Statements

When capital assets that are to be used in governmental activities are purchased, the cost of those assets are reported as expenditures in governmental funds. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole.

Cost of Capital Assets	$	5,984,545
Accumulated Depreciation		(2,866,080)
Difference	$	3,118,465

In the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year.

Capital Outlay	$	7,375
Depreciation Expense		(212,957)
Difference	$	(205,582)

Long-Term Liabilities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities are reported on the Statement of Net Position. Long-Term Liabilities at the end of the year consist of:

Compensated Absences	$	9,572
Total Other Postemployment Benefits (OPEB) Liability		17,270
Net Pension Liabilities		163,824
Difference	$	190,666

Deferred outflows and inflows of resources related to pensions and OPEB are applicable for future periods and are not reported in governmental funds.

Deferred Outflows of Resources for OPEB	$	780
Deferred Outflows of Resources for Pensions		52,470
Deferred Inflows of Resources for OPEB		(1,248)
Deferred Inflows of Resources for Pensions		(30,589)
Difference	$	21,413

Governmental funds report District pension contirbutions and OPEB benefit payments as expenditures. In the Statement of Activities, the cost of pension benefits and OPEB benefits earned net of contributions and benefit payments is reported as pension and OPEB expense.

Difference Between OPEB Benefit Payments and Net OPEB Expense	$	17,738
Difference Between Pension Contributions and Net Pension Expense		15,272
Difference	$	33,010

Using the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of the financial resources available. These adjustments include:

Changes in Compensated Absences	$	1,055

Note 3 - Cash and Equity in Pooled Cash and Investments

Cash and Investments

At September 30, 2019, the District's carrying amount of cash deposits accounts was $1,157,771. These funds are pooled as part of the County pooled cash funds. The pooled cash and investments of the County consist of cash, U.S. treasuries, federal instrumentalities, corporate notes/obligations, money market funds, and municipal bonds. The County's cash deposits are held by a bank that qualifies as a public depository under the *Florida Security for Public Deposits Act*, as required by Chapter 280, Florida Statutes. The County maintains an investment policy managing pooled cash and investments. Further information on the County's pooled cash and investments can be found in the notes to the annual financial statements of the County.

Note 4 - Capital Assets

Land, buildings and improvements, and tangible personal property of the District are reported as capital assets in the statement of net position.

Capital asset activity for the year ended September 30, 2019, was as follows:

	Beginning Balance	Increases	(Decreases)	Ending Balance
Capital Assets, Not Being Depreciated				
Land	$ 188,367	$ -	$ -	$ 188,367
Total Capital Assets, Not Being Depreciated	188,367	-	-	188,367
Capital Assets, Being Depreciated				
Buildings	974,053	-	-	974,053
Improvements	1,290,474	-	-	1,290,474
Machinery, Equipment, and Vehicles	696,481	7,375	-	703,856
Infrastructure	2,827,795	-	-	2,827,795
Total Capital Assets, Being Depreciated	5,788,803	7,375	-	5,796,178
Less Accumulated Depreciation				
Buildings	(690,555)	(28,813)	-	(719,368)
Improvements	(803,707)	(107,216)	-	(910,923)
Machinery, Equipment, and Vehicles	(646,315)	(17,042)	-	(663,357)
Infrastructure	(512,546)	(59,886)	-	(572,432)
Total Accumulated Depreciation	(2,653,123)	(212,957)	-	(2,866,080)
Total Capital Assets Being Depreciated, Net	3,135,680	(205,582)	-	2,930,098
Total Capital Assets, Net	$ 3,324,047	$ (205,582)	$ -	$ 3,118,465

Note 5 - Changes in Compensated Absences

The amount of vested accumulated compensated absences payable based upon the County's annual leave and sick leave policy is reported as a liability in the statement of net position for the District. The change in accumulated compensated absences during the year is as follows:

Balance October 1, 2018	Additions	Reductions	Balance September 30, 2019
$ 8,517	$ 6,904	$ (5,849)	$ 9,572

Note 6 - Retirement System

The Florida Retirement System

1. Plan Description, Membership and Plan Benefits, and Contribution Requirements

Plan Description
The Florida Retirement System (FRS) is a cost-sharing, multiple-employer, contributory retirement system, administered by the State of Florida. The FRS was created by Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan, and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution plan is the FRS Investment Plan (INV). Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan to assist retired members of any state-administered retirement system in paying the costs of health insurance.

The FRS and HIS are administered by the Florida Department of Management Services, Division of Retirement. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code. The Florida Legislature has the authority to establish and amend retirement legislation and related bills of significance to members of the FRS and HIS plans (including benefit terms and contribution rates). Passed bills are presented to the Governor of Florida and approved before they may be enacted into law.

The FRS and HIS financial information is included in the Florida Retirement System (the System) Pension Plan and Other State-Administered Systems' Comprehensive Annual Financial Report (CAFR). The System CAFR, including audited financial information to support the Schedules of Employer Allocations and Schedules of Pension Amounts by Employer, are available online at: http://*www.dms.myflorida.com/workforce_operations/retirement/publications*.

The System CAFR and actuarial reports may also be obtained by contacting the Division of Retirement by mail or phone at:

Department of Management Services
Division of Retirement
Bureau of Research and Member Contributions
P.O. Box 9000
Tallahassee, Florida 32315-9000
850-907-6500 or toll free 844-377-1888

Membership and Plan Benefits - FRS

The FRS has one class of membership applicable to the District, regular class. The FRS Pension Plan provides for the vesting of benefits after six years of creditable service or after eight years of credible service for members first enrolled after July 1, 2011. Members are eligible for normal retirement when they have met the minimum requirements listed below. Early retirement may be taken any time after vesting; however, there is a 5% benefit reduction for each year prior to normal retirement age. Members are also eligible for regular disability benefits if permanently disabled and unable to work. Benefits are computed on the basis of age, average final compensation, creditable years of service, and accrual value by membership class.

A DROP was established effective July 1, 1998, subject to provisions of Section 121.091, Florida Statutes. It permits employees eligible for normal retirement under the FRS to defer receipt of monthly benefit payment while continuing employment with a System employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

Regular Class: Six years of service and age 62, or the age after 62 the member becomes vested, or thirty years of service, regardless of age, whichever comes first.

After eight years of service for members first enrolled after July 1, 2011, and age 65 the member becomes vested, or the age after 65 the member becomes vested, or thirty three years of service regardless of the age before 65.

Membership and Plan Benefits - HIS

HIS membership is available to all members within the FRS and INV plans. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by $5. The minimum payment is $30 and the maximum payment is $160 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

Contribution Requirements

The contribution rates for FRS and HIS members are established, and may be amended, by the State of Florida. Employer contributions rates are actuarially recommended but set by the Legislature. These rates are a percentage of covered payroll. The FRS and HIS contribution rates were as follows:

Regular Class: Members not qualifying for other classes.

10/01/2018 – 06/30/2019	07/01/201 – 09/30/2019
8.26%	8.47%

Employer rates include 1.66% from October 1, 2018 to September 30, 2019, for the HIS program. In addition, other than for the DROP, rates include .06% from October 1, 2018 to September 30, 2019, for administrative costs.

The District's contributions recognized during the fiscal year ended September 30, 2019, by the FRS and HIS were $9,343 and $2,778, respectively.

As of July 1, 2011, members contribute 3% of their salary as retirement contributions. Members participating in DROP are not required to make 3% contributions.

2. FRS and HIS Rate of Return, Discount Rate Sensitivity, and Significant Actuarial Assumptions

Long-Term Rate of Return
To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2019 the FRS Actuarial Assumption Conference reviewed assumptions by Milliman's Capital Markets Assumption team and Aon Hewitt Investment Consulting. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Annual Arithmetic Return
Cash	1.00%	3.3%
Fixed Income	18.00%	4.1%
Global Equity	54.00%	8.0%
Real Estate (Property)	10.00%	6.7%
Private Equity	11.00%	11.2%
Strategic Investments	6.00%	5.9%
	100.00%	

The HIS is essentially funded on a pay-as-you go basis and depletion date is considered to be immediate. As such, there is no assumption for a long-term expected rate of return on a portfolio, no assumptions for cash flows into and out of the Plan, or assumed asset allocation.

Discount Rate Sensitivity Analysis
The following tables demonstrate the sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact if the discount rate was 1.0% higher or 1.0% lower than the current discount rate at June 30, 2019.

Long-Term Rate of Return

FRS Net Pension Liability (Asset)			HIS Net Pension Liability (Asset)		
	Current Discount			Current Discount	
1% Decrease	Rate	1%Increase	1% Decrease	Rate	1% Increase
5.90%	6.90%	7.90%	2.50 %	3.50%	4.50%
$ 185,128	$ 107,093	$ 41,290	$ 64,762	$ 56,731	$ 50,043

Actuarial Methods and Assumptions

Actuarial assumptions for both the FRS and HIS are reviewed annually by the System Actuarial Assumptions Conference. The FRS has a valuation performed annually and the HIS has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS was for the period July 1, 2013 through June 30, 2018. Because the HIS is funded on a pay-as-you-go basis, no experience study has been completed.

The total pension liability for the FRS was determined by an actuarial valuation as of July 1, 2019, and a valuation of the HIS as of July 1, 2018, rolled forward to June 30, 2019, both using the individual entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth for both plans is assumed at 3.25%. Benefits received by retirees and beneficiaries of the FRS Plan are increased by a COLA each year based on their previous year benefit amount. Retirements prior to August 2011 receive a 3% COLA, and retirees after August 2011 received a formula-structured COLA. Mortality assumptions for the FRS were based on the PUB2010 base table varied by member category and sex, projected generationally with scale MP-2018; and on the Generational RP-2000 with Projection Scale BB tables for the HIS. Both the discount rate and long-term expected rate of return used for FRS investments is 6.90%, a decrease from 7.00% in the prior year. The FRS fiduciary net position was projected to be available to make all projected future benefit payments of active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because the HIS uses pay-as-you-go funding structure, a municipal bond rate of 3.50% was used to determine its total pension liability. In October 2019, the Actuarial Assumptions Conference adopted the Bond Buyer General Obligation 20-Bond Municipal Bond Index as the applicable municipal bond index. As of June 30, 2019, the municipal rate used by HIS decreased from 3.87% to 3.50%.

Net Pension Liability, Deferred Outflows/Inflows of Resources, and Pension Expense for District Defined Benefit Pension Plans

1. Proportionate Share of FRS and HIS Plans

Employers participating in the FRS and HIS were provided pension allocation schedules for use in recording their proportionate share of the FRS and HIS collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pensions expense at measurement date June 30, 2019, in accordance with GASB Statements No. 68, *Accounting and Financial Reporting for Pensions* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of Statement No. 68*. The underlying financial information used to prepare the pension allocation schedules was based on the same basis as mentioned previously, and on the actuarial valuation as of July 1, 2019, for FRS or roll forward from the July 1, 2018, for the HIS. The District's proportionate share was calculated using the retirement contributions for employees that were members of the FRS and HIS during the measurement year ended June 30, 2019. The aggregate employer contribution amounts in the pension allocation schedules agree to the total employer contribution amounts reported in the System CAFR.

At September 30, 2019, the District reported a net pension liability of $163,824 for its proportionate share of the collective net pension liability of the FRS and HIS. The following table presents information on the District's proportionate share of the FRS and HIS:

	FRS	HIS	District Total
Proportionate Share of Net Pension Liability as of June 30, 2019	$ 107,093	$ 56,731	$ 163,824
District's Proportion at June 30, 2019	0.00000310968%	0.00000507027%	
District's Proportion at June 30, 2018	0.00000351719%	0.00000504117%	
Change on Proportion During Current Year	-0.00000040751	0.00000002911	

2. Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended September 30, 2019, the District recognized a pension expense of $23,421 related to FRS, and pension expense of $3,972 related to the HIS. At September 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS		District Total
	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow	Deferred Outflow Deferred (Inflow)
Differences Between Expected and	$ 6,352		$ 689		$ 7,041
Actual Experience		(66)		(69)	(135)
Changes of Assumptions	27,506		6,567		34,073
		-		(4,637)	(4,637)
Net Difference Between Projected	-		37		37
and Actual Investment Earnings		(5,925)		-	(5,925)
Changes in Proportion	3,639		4,949		8,588
		(13,232)		(6,660)	(19,892)
District Contributions Subsequent to the Measurement Date	2,147	-	584	-	2,731
Total Deferred Outflows	$ 39,644		$ 12,826		$ 52,470
Total Deferred (Inflows)		$ (19,223)		$ (11,366)	$ (30,589)

Deferred outflows of resources of $2,731 are reported by the District for employer contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Reporting Year Ending June 30,	FRS	HIS	District Total Deferred Outflows/ Deferred (Inflows)
2020	$ 6,913	$ 724	$ 7,637
2021	552	(36)	516
2022	6,291	81	6,372
2023	4,570	(32)	4,538
2024	105	(216)	(111)
Thereafter	(157)	355	198
Total	$ 18,274	$ 876	$ 19,150

Note 7 - Other Postemployment Benefits (OPEB) Liability

The District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for accounting and financial reporting for its OPEB Plan.

Plan Description, Benefit Terms, and Contribution Requirements

The OPEB Plan is a single-employer benefit plan administered by the District. Retirees are charged whatever the insurance company charges for the type of coverage elected. However, the premiums charged by the insurance company are based on a blending of the experience among younger active employees and older retired employees. The older retirees usually have higher costs, which means that the District is actually subsidizing the cost of the retiree coverage because it pays all or a significant portion of that premium on behalf of the active employees.

Retirees and their dependents are permitted to remain covered under the District's respective medical and insurance plans as long as they pay a full premium applicable to coverage elected. This conforms to the minimum required of Florida governmental employees per Chapter 112.08, Florida Statutes. Benefits that exceed this minimum are established and may be amended through action from the Marion County Board of County Commissioners. The OPEB Plan does not issue a stand-alone report and is not included in the report of any other entity. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

As of September 30, 2017, the following employees were covered by the benefit terms:

Retirees and Beneficiaries Currently Receiving Benefits	1
Active Employees	3
Total	4

Contributions (benefit payment reductions) to the OPEB Plan are shared by the retiree and the District. OPEB Plan participants must reimburse the District for the District's average blended cost. Contributions requirements of the District are established and may be amended through action by the Marion County Board of County Commissioners.

Total OPEB Liability and Changes in Total OPEB Liability

The measurement date for the District's total/net OPEB liability was September 30, 2018, one year prior to the District's fiscal reporting date as of September 30, 2019. The measurement period for OPEB cost was October 1, 2017 to September 30, 2018. The components of the District's net OPEB liability reported at September 30, 2019 are as follows:

Total OPEB Liability	$ 17,270
OPEB Plan Fiduciary Net Position	-
District's Net OPEB Liability	$ 17,270
OPEB Plan Fiduciary Net Positon as Percentage of Total OPEB Liability	0.0%

The components of the changes in the total OPEB liability are as follows:

	Fiscal Year 2019
Total OPEB Liability	
Service Cost	$ 826
Interest	625
Difference Between Expected and Actual Experience	-
Changes of Assumption and Other Inputs	(662)
Benefit Payments	(774)
Other Changes	-
Net Change in Total OPEB Liability	15
Total OPEB Liability, Beginning	17,255
Total OPEB Liability, Ending	$ 17,270
Covered-Employee Payroll	$ 84,792

Changes of assumptions and other inputs reflect a change in the discount rate from 3.50% at the beginning of the measurement period to 3.83% as of September 30, 2018.

Actuarial Assumptions and OPEB Liability Sensitivity to Healthcare Trend Rate

The total OPEB liability reported at September 30, 2019, was based on actuarial data dated September 30, 2017, rolled-forward to the measurement date September 30, 2018, using the following actuarial assumptions:

Inflation:	2.5% per annum
Discount Rate:	3.83%

Salary Increases:	Rates used in July 1, 2016 actuarial valuation of the FRS; 3.75% - 7.8%.
Mortality Rates:	Mortality tables used for regular class members in the July 1, 2016 actuarial valuation of the FRS (based on experience study for Period 2008 thru 2013).
Healthcare Trend:	Based on the Getzen model, with trend starting at 3.6% on October 1, 2018, followed by 6.75% on October 1, 2019, and gradually decreasing to ultimate trend rate 4.24%, plus .42% increase in excise tax.

The development of per capita costs included aging factors based on the 2013 Society of Actuaries Study "Healthcare Costs- from Birth to Death". There have been no significant changes (other than the premium rate increases) in any health benefits or life insurance benefits between September 30, 2018 and September 30, 2019.

Sensitivity of OPEB Liability to Healthcare Trend Rate

The following table presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare trend rate that is 1% lower or 1% higher than the current rate:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	$ 14,941	$ 17,270	$ 20,254

Sensitivity of OPEB Liability to Discount Rate

	1% Decrease	Current Discount Rate	1% Increase
	2.83%	3.83%	4.83%
Total OPEB Liability	$ 19,362	$ 17,270	$ 15,476

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2019, the District recognized OPEB expense of $1,313. At September 30, 2019, the District had deferred outflows of resources and deferred inflows of resources to OPEB form the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ -	$ -
Changes in Assumptions	-	1,248
Transactions after Measurement Date	780	-
	$ 780	$ 1,248

Deferred outflows of resources of $780, are reported by the District for the employer benefit payments subsequent to the measurement date, and will be recognized as a reduction of the total OPEB liability in the year ending September 30, 2020. Deferred inflows of resources shown above will be recognized in OPEB expense in the following years:

Fiscal Year Ending September 20	Inflows	Outflows
2020	$ 138	$ -
2021	138	-
2022	138	-
2023	138	-
2024	138	-
Thereafter	558	-
	$ 1,248	$ -

Note 8 - Risk Management

The District participates in the Marion County risk management program. The Board maintains an Insurance Risk Management Internal Service Fund for health and long-term disability insurance, workers' compensation, general property and casualty and automobile claims. Payments to the Board for coverage are based on past experience of the amounts needed to pay current year claims. During the current year, the District remitted $64,974 for insurance coverage. Information regarding the program's coverage, self-insurance reserves, and program administration can be found in the Marion County CAFR for the year ended September 30, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

RAINBOW LAKES ESTATES MUNICIPAL SERVICE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts**	**Variance With Final Budget**
Revenues				
Taxes	$ 248,016	$ 248,016	$ 250,860	$ 2,844
Permits and Fees	142,500	142,500	153,049	10,549
Charges for Services	47	47	15	(32)
Investment Income	2,945	2,945	29,334	26,389
Miscellaneous Revenues	5,700	5,700	9,582	3,882
Total Revenues	399,208	399,208	442,840	43,632
Expenditures				
Current:				
General Government	363,441	363,441	171,533	191,908
Transportation	327,385	327,385	194,625	132,760
Capital Outlay	457,749	457,749	7,375	450,374
(Total Expenditures)	(1,148,575)	(1,148,575)	(373,533)	775,042
Net Change in Fund Balance	(749,367)	(749,367)	69,307	818,674
Fund Balance, Beginning of Year	749,367	749,367	1,071,229	321,862
Fund Balance, End of Year	$ -	$ -	$ 1,140,536	$ 1,140,536

RAINBOW LAKES ESTATES MUNICIPAL SERVICE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEARS

Florida Retirement System (FRS):	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
District's Proportion of the Net Pension Liability (Asset)	0.000003310968%	0.000003517900%	0.00035573600%	0.00031359700%	0.000393148000%	0.0004431600%
District's Proportionate Share of the Net Pension Liability (Asset)	$ 107,093	$ 105,939	$ 105,260	$ 79,183	$ 50,780	$ 27,039
District's Covered-Employee Payroll	159,304	164,656	172,165	145,181	158,773	175,642
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	67.23%	64.34%	61.14%	54.54%	31.98%	15.39%
Plan Fiduciary Net Positon as a Percentage of the Total Pension Liability (Note 2)	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%
Health Insurance Subsidy (HIS):	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
District's Proportion of the Net Pension Liability (Asset)	0.00000507027%	0.00000504117%	0.00054012200%	0.00047257500%	0.000526168000%	0.000591143%
District's Proportionate Share of the Net Pension Liability (Asset)	$ 56,731	$ 53,356	$ 57,752	$ 55,077	$ 53,661	$ 55,273
District's Covered-Employee Payroll	169,574	164,656	172,165	145,890	159,629	175,642
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	33.46%	32.40%	33.54%	37.75%	33.62%	31.47%
Plan Fiduciary Net Positon as Percentage of the Total Pension Liability (Note 2)	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%

* The amounts presented for each measurement year were determined as of June 30.

Note 1: Govenmental Accounting Standards Board Statement No. 68 requires information for 10 years. However, until a 10-year trend is compiled, the District is presenting information for only those years for which information is available.

Note 2: The Plan's fiduciary net position as a percentage of the total pension liability is published in Note 4 of the Plan's Comprehensive Annual Financial Report.

RAINBOW LAKES ESTATES MUNICIPAL SERVICE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS

Florida Retirement System (FRS):	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Contractually Required Contribution	$ 9,343	$ 10,000	$ 9,557	$ 7,749	$ 9,111	$ 10,833
Contributions in Relation to the Contractually Required Contribution	(9,343)	(10,000)	(9,557)	(7,749)	(9,111)	(10,833)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's Covered-Employee Payroll	$ 150,219	$ 159,212	$ 174,337	$ 148,862	$ 153,801	$ 171,771
Contributions as a Percentage of Covered-Employee Payroll	6.22%	6.28%	5.48%	5.21%	5.92%	6.31%

Health Insurance Subsidy (HIS):	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Contractually Required Contribution	$ 2,778	$ 2,644	$ 2,894	$ 2,471	$ 2,108	$ 2,116
Contributions in Relation to the Contractually Required Contribution	(2,778)	(2,644)	(2,894)	(2,471)	(2,108)	(2,116)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's Covered-Employee Payroll	$ 167,337	$ 159,212	$ 174,337	$ 148,862	$ 155,367	$ 171,771
Contributions as a Percentage of Covered-Employee Payroll	1.66%	1.66%	1.66%	1.66%	1.36%	1.23%

*The amounts presented for each fiscal year-end were determined as of September 30.

Note 1: Governmental Accounting Standards Board Statement No. 68 requires information for 10 years. However, until a full 10-year trend is compiled, the District is presenting information for only those years for which information is available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The following changes in actuarial assumptions occurred in 2019:

Note 1: FRS: The long-term expected rate of return decreased from 7.00% to 6.90%.

Note 2: HIS: The muncipal rate used to determine total pension liability was decreased from 3.87% to 3.50%.

The following changes in actuarial assumptions occurred in 2018:

Note 1: FRS: The long-term expected rate of return decreased from 7.10% to 7.00%.

Note 2: HIS: The municipal rate used to determine total pension liability was increased from 3.58% to 3.87%.

The following changes in actuarial assumptions occurred in 2017:

Note 1: FRS: The long-term expected rate of return decreased from 7.60% to 7.10%.

Note 2: HIS: The municipal rate used to determine total pension liability was increased from 2.85% to 3.58%.

The following changes in actuarial assumptions occurred in 2016:

Note 1: FRS: There were no significant changes in actuarial assumptions. The inflation rate assumption remained at 2.60%, the real payroll growth rate assumption remained at .65%, and the overall payroll growth rate assumption remained at 3.25%. The long-term expected rate of return decreased from 7.65% to 7.60%.

Note 2: HIS: The municipal rate used to determine total pension liability was decreased from 3.80% to 2.85%.

The following changes in actuarial assumptions occurred in 2015:

Note 1: HIS: The municipal rate used to determine total pension liability was decreased from 4.29% to 3.80%.

RAINBOW LAKES ESTATES MUNICIPAL SERVICE DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST 10 MEASUREMENT YEARS*

	2019	2018
Total OPEB Liability		
Service Cost	$ 826	$ 858
Interest	625	557
Difference Between Expected and Actual Experience	-	-
Change of Assumptions and Other Inputs	(662)	(804)
Benefit Payments	(774)	(918)
Net Change in Total OPEB Liability	15	(307)
Total OPEB Liability - Beginning	17,255	17,562
Total OPEB Liability - Ending	$ 17,270	$ 17,255
Covered-Employee Payroll	$ 84,792	$ 64,913
Total OPEB Liability as a Percentage of Covered-Employee Payroll	20.37%	26.58%

Fiscal Year 2018 presents information on the Plan's measurement year ended September 30, 2017.

Notes to the Schedule:

Note 1: GASB Statement No. 75 requires information for 10 years. However, until a 10 year trend is compiled, the District is presenting information for only those years for which information is available.

Note 2: No assets were accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Note 3: Significant assumptions changes 2019 - discount rate increased to 3.83% from 3.5%.

OTHER REPORTS

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*

The Honorable Board of County Commissioners
Marion County, Florida

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 Rainbow Lakes Estates Municipal Service District (the District) as of and for the year ended September 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated April 15, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances of 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 on the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on

The Honorable Board of County Commissioners
Marion County, Florida

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*

the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and is not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Purvis Gray

April 15, 2020
Ocala, Florida

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES

The Honorable Board of County Commissioners
Marion County, Florida

We have examined the Rainbow Lakes Estates Municipal Service District's (the District) compliance with the requirements of Section 218.415, Florida Statutes, as of and for the year ended September 30, 2019, as required by Section 10.556(10)(a), *Rules of the Auditor General*. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the requirements referenced above. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of procedures selected depend on our judgement including, an assessment of the risk of material non-compliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2019.

The report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, the District, its management, and the Board of County Commissioners of Marion County, Florida, and is not intended to be, and should not be, used by anyone other than these specified parties.

Purvis Gray

April 15, 2020
Ocala, Florida

MANAGEMENT LETTER

The Honorable Board of County Commissioners
Marion County, Florida

Report on the Financial Statements
We have audited the financial statements of the Rainbow Lakes Estates Municipal Service District (the District), as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated April 15, 2020.

Auditor's Responsibility
We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Chapter 10.550, *Rules of the Auditor General.*

Other Reporting Requirements
We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards,* and Independent Accountant's Report on examination conducted in accordance with the American Institute of Certified Public Accountants *Professional Standards,* AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in these reports, which are dated April 15, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings
Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations in the preceding annual financial audit report.

Official Title and Legal Authority
Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority of the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes of the financial statements (see Note 1 of the accompanying financial statements).

Financial Condition and Management
Sections 10.554(1)(i)5a., and 10.556(7), *Rules of the Auditor General*, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific conditions met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

The Honorable Board of County Commissioners
Marion County, Florida

MANAGEMENT LETTER

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures for the District. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of the financial information provided by same.

Section 10.554(1)(i)(2), *Rules of the Auditor General*, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Special District Component Units
Section 10.554(1)(i)5.c., *Rules of the Auditor General*, requires if appropriate, that we communicate the failure of a special district that a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to proper the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Additional Matters
Section 10.554(1)(i)3., *Rules of the Auditor General*, requires us to communicate non-compliance with provisions of contract or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter
Our management letter is identified solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and the Board of County Commissioners of Marion County, Florida, and applicable management and is not intended, and should not be used, by anyone other than those specified parties.

Purvis Gray

April 15, 2020
Ocala, Florida