

**MONTE RIO  
RECREATION AND PARK DISTRICT  
FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**MONTE RIO  
RECREATION AND PARK DISTRICT**

**FINANCIAL STATEMENTS  
June 30, 2015**

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# LARRY BAIN, CPA

An Accounting Corporation

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Monte Rio Recreation and Park District  
Monte Rio, California

We have audited the accompanying financial statements of the governmental activities and fund information which comprise the basic financial statements of Monte Rio Recreation and Park District as of and for the fiscal year ended June 30, 2015, 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 the 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.

### **Auditors' Responsibility**

Our Responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes 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 District'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 District'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 financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and fund information of the Monte Rio Recreation and Park District as of June 30, 2015, and the changes in financial position, of those activities and funds for the fiscal year then ended in conformity with U.S. generally accepted accounting principles.

## **Other Matters**

### *Required Supplementary Information*

The Monte Rio Recreation and Park District has not presented the Management Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

## **Other Information**

We have also issued our report dated June 13, 2016 on our consideration of the District's internal control over financial reporting. That report should be read in conjunction with this report in considering our audit.

The required supplementary information as listed in the table of contents, is not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*{Signature on File}*

**Larry Bain, CPA**  
**An Accounting Corporation**

June 13, 2016

MONTE RIO RECREATION AND PARK DISTRICT

STATEMENT OF NET POSITION  
JUNE 30, 2015

	<u>Governmental Activities</u>
Assets	
Cash and investments	266,762
Receivables	1,977
Prepaid expense	25,662
Restricted cash and investments	(463)
Capital assets:	
Land	73,177
Site improvements	1,790,877
Buildings and improvements	1,589,505
Equipment	184,219
Less: accumulated depreciation	(671,969)
Total Assets	<u>\$ 3,259,747</u>
Liabilities	
Current liabilities:	
Claims payable	\$ 8,357
Accrued payroll	4,023
Noncurrent liabilities:	
RCAC Loan	<u>67,341</u>
Total Liabilities	<u>79,721</u>
Net Position	
Net investment in capital assets	2,898,468
Unrestricted	<u>281,558</u>
Total Net Position	<u>\$ 3,180,026</u>

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

**MONTE RIO RECREATION AND PARK DISTRICT**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Total</u>
Governmental Activities:			
Community services/recreation	\$ 421,237	\$ 155,467	\$ (265,770)
Interest expense	2,341		(2,341)
Total Governmental Activities	<u>\$ 423,578</u>	<u>\$ 155,467</u>	<u>\$ (268,111)</u>

General Revenues:

    Taxes:

Property tax, levied for general purposes	185,167
Other general revenue	13,735
Investment income	44
Total general revenues	<u>198,946</u>
Change in net position	(69,165)
Net position' - beginning	<u>3,249,191</u>
Net position - ending	<u>\$ 3,180,026</u>

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

**MONTE RIO RECREATION AND PARK DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2015**

	General Fund	Capital Project Fund	Totals Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets</b>			
Cash and investments	\$ 266,762	\$ -	\$ 266,762
Receivables	1,977		1,977
Prepaid expense	25,662		25,662
Restricted cash and investments		(463)	(463)
	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$294,401</u>	<u>\$ (463)</u>	<u>\$ 293,938</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Claims payable	\$ 8,357	\$ -	\$ 8,357
Accrued payroll	4,023	-	4,023
	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities	<u>12,380</u>	<u>-</u>	<u>12,380</u>
<b>Fund Balances</b>			
Fund balances			
Assigned		(463)	(463)
Unassigned	282,021		282,021
	<u>          </u>	<u>          </u>	<u>          </u>
Total Fund Balances	<u>282,021</u>	<u>(463)</u>	<u>281,558</u>
Total Liabilities and Fund Balances	<u>\$ 294,401</u>	<u>\$ (463)</u>	<u>\$ 293,938</u>

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

**MONTE RIO RECREATION AND PARK DISTRICT**  
**RECONCILIATION OF GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

Fund Balances of Governmental Funds	\$ 281,558
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Net investment in capital assets, are not current financial resources and are not included in the governmental funds.	2,965,809
Some liabilities, including long-term debt, and accrued interest are not due and payable in the current period and therefore are not reported in the funds.	<u>(67,341)</u>
Net position of governmental activities	<u>\$ 3,180,026</u>

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



**MONTE RIO RECREATION AND PARK DISTRICT**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	General Fund	Capital Project Fund	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
Revenues			
Property taxes	\$ 185,167	\$ -	\$ 185,167
Intergovernmental revenues	-		-
Use of money and property	74,237	(3)	74,234
Charges for current services	81,277		81,277
Other revenues	13,735		13,735
	<u>354,416</u>	<u>(3)</u>	<u>354,413</u>
Total Revenues			
Expenditures			
Current Recreation Services:			
Salary and benefits	91,494	-	91,494
Services and Supplies	204,668		204,668
Debt service			-
Interest	2,341		2,341
	<u>298,503</u>	<u>-</u>	<u>298,503</u>
Total Expenditures			
Excess (Deficit) of Revenues over Expenditures before other financing Sources and (Uses)	<u>55,913</u>	<u>(3)</u>	<u>55,910</u>
Other Financing Sources (Uses)			
Proceeds of debt	67,341	-	67,341
Total Other Financing Sources (Uses)	<u>67,341</u>	<u>-</u>	<u>67,341</u>
Net Change in Fund Balances	123,254	(3)	123,251
Fund Balances, July 1, 2014	<u>158,767</u>	<u>(460)</u>	<u>158,307</u>
Fund Balances, June 30, 2015	<u>\$ 282,021</u>	<u>\$ (463)</u>	<u>\$ 281,558</u>

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

**MONTE RIO RECREATION AND PARK DISTRICT**  
**RECONCILIATION OF GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Net Change in Fund Balances - Total Governmental Funds	\$ 123,251
<p>Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:</p>	
Cost of assets capitalized	
Depreciation expense	(125,077)
<p>Proceeds of long-term debt principal is an other financing source in the governmental funds, but the principal portion is recorded as long-term liabilities in the Statement of Net Position.</p>	<u>(67,339)</u>
Change in net position of governmental activities	<u><u>\$ (69,165)</u></u>

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

# MONTE RIO RECREATION AND PARK DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

### Note 1: Summary of Significant Accounting Policies

The District was formed on November 25, 1948 as a County Recreation District and was reorganized under the Public Resource Code, Section 5780 et seq., by Resolution #21133 on November 1, 1960. It is operated under the direction of a five-member board duly elected and empowered by the electorate with sole authority over the District operations. The District is fiscally independent of the Sonoma County Board of Supervisors and its financial activities are processed at the District administration office.

The accounting policies of the District conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

#### A. Reporting Entity

The District has defined its reporting entity in accordance with generally accepted accounting principles, which provides guidance for determining which governmental activities, organizations and functions should be included in the reporting entity. In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The primary criterion for including a potential component unit within the reporting entity is the governing body's financial accountability. A primary governmental entity is financially accountable if it appoints a voting majority of a component unit's governing body and it is able to impose its will on the component unit, or if there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable if a component unit is fiscally dependent on the primary governmental entity regardless of whether the component unit has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board. All such component units have been "blended" with the District's other fund types and account groups. Based upon the aforementioned oversight criteria, the District reports no component units.

#### B. Basis of Accounting

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned or, for property tax revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Resources not available to finance expenditures and commitments of the current period are recognized as deferred revenue or as a reservation of fund balance. The District considers property taxes available if they are collected within sixty-days after year-end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt, as well as compensated absences and claims and judgments are recorded only when payment is due. General capital acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financial sources.

# MONTE RIO RECREATION AND PARK DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

### Note 1: Summary of Significant Accounting Policies (Continued)

#### C. Non-Current Governmental Assets/Liabilities

GASB Statement 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide statement of net position.

#### D. Basis of Presentation

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The District's resources are accounted for in these individual funds based on the purposes for which they are to be spent and the means by which spending activity is controlled. For financial reporting, these funds have been grouped into the fund types discussed below.

##### Governmental Fund Types

Governmental funds are used to account for the District's expendable financial resources and related liabilities (except those accounted for in proprietary and similar trust funds). The measurement focus is based upon determination of changes in financial position. The following are the District's major governmental funds:

General Fund - This fund accounts for all the financial resources not required to be accounted for in another fund. This fund consists primarily of general government type activities.

Capital Projects Funds – Used to account for financial resources to be used for the acquisition or construction of equipment and/or major capital facilities such as park improvements.

#### E. Use of 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 amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

#### F. Restricted Assets

Restricted assets are financial resources generated for a specific purpose such as construction of improvements and financing of debt obligations. These amounts are restricted, as their use is limited by applicable bond covenants or other external requirements.

**MONTE RIO RECREATION AND PARK DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

Note 1: Summary of Significant Accounting Policies (Continued)

G. Capital Assets

Capital assets, recorded at historical cost or estimated historical cost if actual historical cost is not available, are reported in governmental activities column of the government-wide financial statements. Contributed fixed assets are valued at their estimated fair market value. Capital assets include land, buildings and building improvements and equipment. Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,000.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Depreciation is recorded in the government-wide financial statements on the straight-line bases over the useful life of the assets as follows:

<u>Assets</u>	<u>Useful Life</u>
Building and improvements	30 years
Equipment	10 years

H. Property Tax

The District receives property taxes from the County of Sonoma, which has been assigned the responsibility for assessment, collections, and apportionment of property taxes for all taxing jurisdictions within the County. Secured property taxes are levied on January 1 for the following fiscal year and on which date it becomes a lien on real property. Secured property taxes are due in two instalments on November 1 and February 1 and are delinquent after December 10 and April 10, respectively, for the secured roll. Based on a policy by the County called the Teeter Plan, 100% of the allocated taxes are transmitted by the County to the District, eliminating the need for an allowance for uncollectible. The County, in return, receives all penalties and interest on delinquent taxes. Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent if unpaid by August 31. Property tax revenues are recognized in the fiscal year they are received.

**MONTE RIO RECREATION AND PARK DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

Note 1: Summary of Significant Accounting Policies (Continued)

I. Interfund Transactions

Operating transfers are transactions to allocate resources from one fund to another fund not contingent on the incurrence of specific expenditures in the receiving fund. Interfund transfers are generally recorded as operating transfers in and operating transfers out in the same accounting period. Transfers between governmental funds are netted as part of the reconciliation to the government-wide presentation.

Note 2: Cash and Investments

Cash and investments at June 30, 2015, consisted of the following:

Checking account	\$	15,726
Savings account		46,962
Imprest cash		240
Cash and investment in the County Treasurer		<u>203,371</u>
Total cash and investments	\$	<u><u>266,299</u></u>

A. Investments Authorized by the California Government Code and the Entity's Investment Policy

The table below identifies the **investment types** that are authorized for the Monte Rio Recreation and Park District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address **interest rate risk, credit risk and concentration of credit risk**. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Percentage of Portfolio</u>	<u>Investment in One Issuer</u>
Investment pools authorized under CA			
Statutes governed by Government Code	N/A	None	\$40 million
U.S. Treasury Obligations	5 years	None	None
Bank Savings Accounts	N/A	25%	None
Federal Agencies	5 years	75%	None
Commercial Paper	180 days	20%	None
Negotiable Certificates of Deposit	180 days	20%	None
Re-Purchase Agreements	180 days	20%	None
Corporate Debt	5 years	25%	None

**MONTE RIO RECREATION AND PARK DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

Note 2: Cash and Investments (Continued)

B. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of and investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investment maturity:

Investment Type	Totals	Remaining Maturity (in Months)	
		12 Months or Less	13-48 Months
Sacramento County*	\$ 203,371	\$ 203,371	\$ -
Totals	\$ 203,371	\$ 203,371	\$ -

\*Not subject to categorization

C. Concentrations of Credit Risk

The investment policy of the District contains limitations on the amount that can be invested in any one issuer. There are no investments to one issuer exceeding those limits.

D. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposit or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment of collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits; The California Government Code requires that a financial institution secured deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2015, the District's deposits balance was \$68,469 and the carrying amount was \$62,688. The difference between the bank balance and the carrying amount was due to normal outstanding checks and/or deposits in transit. Of the bank balance, all was covered by the Federal Depository Insurance and none was covered by collateral held in the pledging bank's trust department in the District's name.

**MONTE RIO RECREATION AND PARK DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

Note 2: Cash and Investments (Continued)

E. Investment in Government Pool

Investments are accounted for in accordance with the provisions of GASB Statement No. 31, which requires governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in fair value of investments in the year in which the change occurred. The District reports its investment in the Sonoma County investment pool at fair value based on quoted market information obtained from fiscal agents or other sources if the change is material to the financial statements.

Note 3: Property, Plant and Equipment

Activity for general fixed assets capitalized by the District is summarized below:

	Balance July 1, 2014	Additions	Retirement/ Adjustments	Balance June 30, 2015
Capital assets, not being depreciated:				
Land	\$ 73,177	\$ -	\$ -	\$ 73,177
Capital assets, being depreciated:				
Site improvements	1,790,877	-	-	1,790,877
Structures and improvements	1,589,505	-	-	1,589,505
Equipment	184,219	-	-	184,219
Total capital assets, being depreciated	3,564,601	-	-	3,564,601
Less accumulated depreciation	(546,892)	(125,077)	-	(671,969)
Total capital assets, being depreciated, net	3,017,709	(125,077)	-	2,892,632
Governmental activities, capital assets, net	\$ 3,090,886	\$ (125,077)	\$ -	\$ 2,965,809

Note 4: Long-Term Liabilities

	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015
<b>Governmental Activities</b>				
RCAC Loan	\$ -	\$ 67,341	\$ -	\$ 67,341
Totals	\$ 18,282	\$ 67,341	\$ -	\$ 67,341

RCAC Loan

On July 11, 2014 the District entered into a loan agreement with the Rural Community Assistance Corporation whereby they borrowed \$67,425 with final payment due July 1, 2019. The interest rate on the loan is 5% per annum with final payment due July 1, 2019 and semi-annual principal and interest payments of \$8,458.92 beginning January 1, 2015.



## MONTE RIO RECREATION AND PARK DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

#### Note 5: Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District together with other districts in the State carry California Association For Park And Recreation Insurance (CAPRI), a public entity risk pool currently operating as a common risk management and insurance program for member districts. The District pays an annual premium to CAPRI for its general insurance coverage. Furthermore the District carries workers compensation coverage with other districts in the State through the CAPRI. Membership in the California Association of Recreation and Park Districts is required when applying for CAPRI.

The Agreement for Formation provides that CAPRI will be self-sustaining through member premiums. CAPRI reinsures through commercial companies for excess claims for general and automobile liability and all risk property insurance, including boiler and machinery coverage, is subject to a \$2,000 deductible occurrence payable by the District. Financial statements for CAPRI are available at the District's office for fiscal year ending June 30, 2015.

#### Note 6: Net Position/Fund Balances

##### **Net Position**

The government-wide activities fund financial statements utilize a net position presentation. Net position are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

- *Net Investment in Capital Assets* – This category groups all capital assets, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* – This category presents external restrictions imposed by creditors, grantors, contributors or laws and regulations of other governments and restrictions imposed by law though constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – This category represents net position the District, not restricted for any project or other purpose.

##### Fund Balances – Governmental Funds

GASB 54 establishes fund balance classifications that comprise a hierarchy based on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. While the classifications of fund balance in the District's various governmental funds were revised, the implementation of this standard had no effect on total fund balance.

#### Note 7: Revenue Limitations Imposed by California Proposition 218

Proposition 218, which was approved by the voters in November 1996, regulates the District's ability to impose, increase, and extend taxes and assessments. Any new increase or extended taxes and assessments subject to the provisions of Proposition 218, requires voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes and assessments are subject to voter initiative and may be rescinded in the future years by the voters.

**MONTE RIO RECREATION AND PARK DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

Note 8: Gann Limit

Total Subject Revenue 2014-15	\$ 185,167
Amount of limit for 2014-15	<u>288,361</u>
Amount (under)/over limit (all sources)	<u>\$ (103,194)</u>

Note 9: Stewardship, Compliance and Accountability

A. Excess of Expenditures Over Appropriations

Expenditures were over the general fund budget by \$32,134 for the fiscal year ending June 30, 2015.

Note 10: Related Party Transactions

The events manager for the District has a personal relationship with a member of the Board of Directors. During the fiscal year ended June 30, 2015 the District paid the events manager \$24,798 in stipends and commissions.

Note 11: Joint Powers Agreement

On September 1, 2013 the District entered into a Joint Powers Agreement establishing the Creekside Wastewater Authority (CWA). The District along with Monte Rio Fire Protection District are the parties to this agreement and collectively have agreed to build a wastewater treatment system on the Monte Rio Recreation and Park District property to serve both Districts wastewater needs. The CWA system is owned by the Authority and the Districts have agreed to share equally in the cost of building, operating, maintaining and repairing the CWA System. During the 2013/14 fiscal year the Monte Rio Fire Protection District transferred \$131,424 to Monte Rio Recreation and Park District as their half of the actual and estimated cost to build the CWA system. Each District has agreed to transfer \$2,500 to the CWA designated for the CWA maintenance contingency. The CWA has its own 5 member Board of Directors two of which are appointed by each District and the fifth selected by the four appointed members. The fifth Board member cannot be affiliated with either the Recreation and Park District or the Fire District.

Note 12: Commitments and Contingencies

**Grants**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the district expects such amounts, if any, to be immaterial.

In the normal course of business, the District is subject to various lawsuits. Defense of lawsuits is typically handled by the District's insurance carrier and losses, if any, are expected to be covered by insurance.

**MONTE RIO RECREATION AND PARK DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>Revenues</b>				
Property taxes	\$ -	\$ -	\$ 185,167	\$ 185,167
Intergovernmental revenues			-	-
Charges for current services			81,277	81,277
Use of money and property			74,237	74,237
Other revenues			13,735	13,735
<b>Total Revenues</b>	<b>266,369</b>	<b>266,369</b>	<b>354,416</b>	<b>88,047</b>
<b>Expenditures</b>				
Salaries and benefits			91,494	(91,494)
Services and supplies			204,668	(204,668)
Interest expense			2,341	(2,341)
Contingency			-	-
<b>Total Expenditures</b>	<b>266,369</b>	<b>266,369</b>	<b>298,503</b>	<b>(32,134)</b>
<b>Excess (Deficit) of Revenues over Expenditures Before Other Financing Sources</b>				
	-	-	55,913	55,913
<b>Other Financing Sources</b>				
Proceeds of debt			67,341	67,341
<b>Total Other Financing Sources</b>	<b>-</b>	<b>-</b>	<b>67,341</b>	<b>67,341</b>
<b>Net Change in Fund Balances</b>				
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>123,254</b>	<b>\$ 123,254</b>
Fund Balance, July 1, 2014			158,767	
Fund Balance, June 30, 2015			\$ 282,021	

**MONTE RIO RECREATION AND PARK DISTRICT**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2015**

Note 1: Budgets and Budgetary Accounting

As required by State law the District prepares and legally adopts a final operating budget. Public hearings were conducted on the proposed and final budget to review all appropriations and the source of financing.

The budget for the general fund is adopted on the modified accrual basis of accounting. The budget for the general fund is the only legally adopted budget.

At the object level, actual expenditures cannot exceed budgeted appropriations. Management can transfer budgeted amounts between expenditure accounts within an object without the approval of the Board of Directors. Significant amendments and appropriation transfers between objects or funds must be approved by the Board of Directors. Appropriations lapse at fiscal year-end.

The budgetary data presented in the final budgeted amount in the accompanying financial statements includes all revisions approved by the Board of Directors.

# LARRY BAIN, CPA

An Accounting Corporation

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## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

To: Board of Directors  
Monte Rio Recreation and Park District

We have audited the financial statements of Monte Rio Recreation and Park District as of and for the fiscal year ended June 30, 2015, and have issued our report thereon dated June 13, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Monte Rio Recreation and Park District's (District) internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. The deficiencies in internal control that we consider to be material weaknesses following this report are identified as FS 15-1 to FS 15-2.

A significant deficiency is a deficiency, or 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. We consider finding 15-3 to 15-11 in the following schedule of findings to be significant deficiencies in the District's internal control:

### **Monte Rio Recreation and Park District's Response to Findings**

The Monte Rio Recreation and Park District's separate written response to the significant deficiencies identified in our audit and any follow up for subsequent year corrections has not been subjected to the audit procedures applied in the audit of the financial statements and accordingly, we do not express an opinion on the responses

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal controls over financial reporting and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control. This report is an integral part of an audit performed in accordance with auditing standards generally accepted in the United States of America in considering the District's internal control over financial reporting, accordingly this report is not suitable for any other purpose.

This report is intended solely for the information and use of the board of directors, management, Sonoma County Auditor Controllers Office and the Controller's Office of the State of California.

*{Signature on File}*

***Larry Bain, CPA,  
An Accounting Corporation***

June 13, 2016

## INTERNAL CONTROL FINDINGS

### Significant Deficiencies Deemed Material Weaknesses

**FS 15-1 (Prior Year Finding FS 14-2):** During our audit we noted the District over expended their budget by \$675,305. The District also under budgeted revenue by \$359,558. The lack of budget control indicates a lack of monitoring by District management. The large variances were also a result of many mispostings noted in the previous finding. The lack of proper budgeting can lead to financial disaster.

Current year follow up: During the current year audit we noted the budget was not prepared in detail by line item or account, but rather in one lump sum total. We also noted the District over expended the lump sum total budget by \$32,134.

Recommendation: We recommend the District prepare the budget in sufficient detail in order to be a useful tool for management to make decisions about the District financial position throughout the year. We recommend that when conditions change and the budget is no longer relevant to reflect current and expected activity then the Board of Directors should amend the budget to reflect realistic expectations and to maintain a legal level of spending.

Views of Responsible Officials and Corrective Action Plan: Management concurs with the recommendation and will implement a detailed line-item budget in the next 12 months.

**FS 15-2 (Prior Year Finding FS 14-3):** During our audit we noted the District was recording accumulated depreciation and depreciation expense. The trial balance maintained by the District in QuickBooks should reflect the fund financial statement presentation and would not include long-term assets or depreciation on those assets. Long-term assets and depreciation are recorded in the Government-Wide financial statements which is an entry recorded by the auditor to convert from the fund financial statement presentation to Government-Wide financial statement presentation.

Current year follow up: Condition still exists in the current year. We proposed a journal entry to reclassify the activity to the proper accounts.

Recommendation: We recommend the District not record depreciation expense or accumulated depreciation in the QuickBooks accounting system.

Views of Responsible Officials and Corrective Action Plan: Management will record journal entries to remove the capital asset balances from QuickBooks and set up a depreciation schedule in Excel within the next six months.

### Significant Deficiencies Not Deemed Material Weaknesses

**FS 15- 3 (Prior Year FS 14-1):** During our test of fund equity we noted the District recorded grant revenue for the Creekside Park project to fund equity accounts and capital expenditures for the Creekside Park project plus other miscellaneous activity were recorded to equity or asset accounts. These transactions understated revenue and expenditure accounts and created material misstatement in the fund equity and asset balances. The mispostings also materially misstated the District revenue and expenditure budget accounts which, if not recorded properly and monitored, could lead to financial disaster and to a condition where the District did not have the legal authority to expend funds (budgeted expenditures lower than actual expenditures.)

Current year follow up: During the current year audit we did not observe the District recording activity to fund equity. We did note the District recording \$9,388 to capital asset accounts as opposed to capital expense accounts.

**MONTE RIO RECREATION AND PARK DISTRICT**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**JUNE 30, 2015**

**Significant Deficiencies Not Deemed Material Weaknesses (Continued)**

Recommendation: We recommend the District record payments to the appropriate expenditure accounts and not to capital asset accounts.

Views of Responsible Officials and Corrective Action Plan: Management will record journal entries to remove the capital asset balances from QuickBooks and set up a depreciation schedule in Excel within the next six months. Future capital asset purchases will be recorded as capital outlay expenditures.

**FS 15-4 (Prior Year Finding FS 14-5):** Due to the small size, we noted the District had a lack of segregation of duties, as one person is capable of handling all aspects of processing transactions from beginning to end. A lack of segregation of duties increases the risk of potential errors or irregularities; however, due to a limited number of personnel an adequate segregation of duties is not possible without incurring additional costs. This is a common condition for entities of this size.

Views of Responsible Officials and Corrective Action Plan: Management concurs with the finding. The management team has changed and key internal control duties have been divided among three different people in the office. In addition, the signatures of two Board members are required on each check.

**FS 15-5 (Prior Year Finding FS 14-6):** During our audit we noted the District did not have a written financial and accounting policy/manual that included internal control procedures. The District should create the financial and accounting policies that demonstrate how transactions are processed from beginning to end. The policy should include the processes for internal controls that are designed to provide reasonable assurance that objectives related to effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations are met. This also should include documenting controls over processing transactions, authorizing transactions and for maintaining and safeguarding assets.

The District also relies on the external auditor to ensure its financial statements are in accordance with GAAP. In addition, the District relies on the external auditor to ensure that all necessary disclosures are included in the notes to the financial statements. The District does not employ a staff member with the necessary knowledge and training to prepare governmental financial statements. In accordance with Statement of Auditing Standards No. 122c external auditors cannot be part of an entity's internal controls over preparation of the financial statements and are prohibited from auditing their own work, which would impair their independence.

We also did not observe a current conflict of interest policy or a current investment policy.

Recommendation: We recommend the District create a written financial and accounting policy. The District should also consider training staff in preparing GAAP financial statements or hire an external qualified accountant to prepare the GAAP financial statements for a Government. The District could opt to take no action if it considers the cost will outweigh the benefit.

The District should also review and accept the conflict of interest policy and investment policy biannually as required by government code.

Views of Responsible Officials and Corrective Action Plan: Management will draft the required policies using appropriate templates. This is planned for completion within the next 12 months.



**MONTE RIO RECREATION AND PARK DISTRICT**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**JUNE 30, 2015**

**Significant Deficiencies Not Deemed Material Weaknesses (Continued)**

**FS 15-6 (Prior Year Finding FS 14-7):** During our testing of cash, we noted the District was not preparing monthly bank reconciliations for the checking accounts. We noted the District recorded AJE 6302014-8 reducing the checking account cash by \$9,918.72 and Community First cash by \$31.70. There did not appear to be a business purpose and the entry for these transactions was not supported. We proposed a correcting journal entry.

We also noted some of the checks were written out of sequence. Check #1893 was dated March 18, 2014, checks #1894-1900 dated April 6, 2014 and then check #1901 was dated March 31, 2014.

We noted the cash balance in the Creekside Park Capital Project Fund maintained at Sonoma County had a negative cash balance of -\$460 at June 30, 2014.

Current year follow up: During the current year audit we also noted the cash with Sonoma County account was not reconciled. We provided the District with a journal entry increasing the Sonoma County Cash account by \$29,779 and adjusting County related revenue and expenditure accounts.

We noted the July 31, 2014 bank reconciliation was prepared in March 2015.

Recommendation: We recommend an employee or individual who is not involved in the cash collection or cash payment cycle prepare bank reconciliations on a monthly basis soon after month end. We also recommend the District reconcile the Sonoma County cash account to the underlying activity.

Views of Responsible Officials and Corrective Action Plan: After a change in District management, the District's bank accounts are now being reconciled monthly, all journal entries processed have appropriate support, and the Sonoma County Treasury account has been closed.

**FS 15-7 (Prior Year Finding FS 14-8):** During our testing of accounts receivable, we noted a \$22,995 deposit made on 7/23/14 collected for reimbursement of prior year grant expenditures. The revenue was not accrued by the District as of June 30, 2014.

Current year follow up: During the current year audit we provided the District with an entry to reverse the receivable.

Recommendation: As part of year end procedures, we recommend the District review revenue received after fiscal year-end to determine if it is subject to accrual. For grant reimbursements the grant revenue should be recorded in the same period to match the grant expenditures as long as it is measurable and available.

Views of Responsible Officials and Corrective Action Plan: Management concurs with the recommendation. Although the grant in question has since been closed out and the District does not have a further grant at this time, management will perform an evaluation at the end of each fiscal year to determine whether additional revenue should be accrued.

**FS 15-8 (Prior Year Finding FS 14-9):** During our testing of disbursement, we noted the District was unable to provide us with documentation or support for 5 out of 25 of the expenditures we randomly selected. We also noted the District was unable to provide us with documentation for a voided check.

Current year follow up: During the current year audit we were not presented with invoices to support 7 out of 25 expenditures tested.

Recommendation: We recommend the District retain supporting documentation for all expenditures.

**MONTE RIO RECREATION AND PARK DISTRICT**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**JUNE 30, 2015**

**Significant Deficiencies Not Deemed Material Weaknesses (Continued)**

Views of Responsible Officials and Corrective Action Plan: After a change in District management, all disbursements processed have supporting documentation.

**FS 15-9 (Prior Year Finding FS 14-10):** During our testing of payroll, we noted an employee time sheet which indicated they worked for 7 hour, however they were compensated 7.5 hours. The same employee also took 13.5 hours of sick leave during the pay period ending 10/31/2013 however, the payroll register only recorded 10.5 hours sick leave taken and the additional 3 hours sick leave was recorded as regular pay. The District was also unable to provide the employee wage rate authorized by the Board of Directors or an employment contract, an I-9 immigration form or a W-4 for this management employee.

Additionally, the District could not locate the timesheets and other support for the February 15, 2014 payroll sample.

Current year follow up: During the current year audit we were not presented with an authorized salary schedule to support pay rates. We also noted one instance where an employee made a mathematical error on their timesheet resulting in an underpayment of one hour.

Recommendation: We recommend the District verify that the total hours worked per the pay register agrees with the total hours listed on the timesheet. The District supervisor should perform random recalculations of the timesheets to verify they are mathematically correct. We also recommend the Board of Directors approve a salary schedule for each compensated position of the District

Views of Responsible Officials and Corrective Action Plan: Management has implemented a payroll procedure in which two individuals verify each payroll processed.

**FS 15-10 (Prior Year Finding FS 14-4):** During our testing of accounts payable, we noted the District did not accrued the retention of \$73,878 for Carr, Inc.

Current year follow up: Not noted during the current year audit.

Recommendation: None.

**FS 15-11:** During our testing of salaries, we noted the District was unable to provide us with the signed 941 quarterly tax forms. We also noted the District was paying the events manager and office manager as independent contractors.

Recommendation: The District is responsible for not only submitting, but also maintaining tax documentation for a reasonable amount of time. We recommend the District establish policies and procedures for retaining documentation.

We also recommend the District review or have the District's attorney review the rules governing independent contractors to determine if the events manager and office manager positions are eligible for this classification.

Views of Responsible Officials and Corrective Action Plan: After the change in management, the District has reviewed and made any adjustments considered appropriate.

**MONTE RIO RECREATION AND PARK DISTRICT**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**JUNE 30, 2015**

**Significant Deficiencies Not Deemed Material Weaknesses (Continued)**

**FS 15-12:** During our testing of long-term debt we noted the District received \$65,000 proceeds from a loan. The proceeds were recorded as a liability to RCAC Loan Payable as opposed to the Other Financing Sources-Proceeds of Debt account as required by GAAP for fund financial statement presentation. These funds were used in addition to \$8,878 general fund money to make the final \$73,878 retention payment to the general contractor for the Creekside Park Project. The \$73,878 final payment was also recorded as a reduction to the RCAC Loan Payable account. The result of these transactions were a \$65,000 understatement to proceeds of debt and a \$73,878 understatement to capital expense. We proposed journal entries to reclassify these transactions into the proper accounts.

Additionally the final \$73,878 retention payment was made using a cashier's check obtained at the bank as opposed to the normal practice of issuing a District check.

Recommendation: We recommend the District record debt proceeds and capital expenditures to the proper accounts. We also recommend the District refrain from obtaining and issuing a cashier's check for vendor payments as this increases the risk that fraud could be occurring without being detected. The District also should not hand deliver vendor payments, but should mail them out.

Views of Responsible Officials and Corrective Action Plan: Management will record journal entries in the next six months to remove the debt from the funds and reflect principal payments as an expenditure. The District no longer uses a cashier's check for any vendor payment. Payments will be mailed to vendors to the extent practical.