

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

**JUNE 30, 2017**

**MONTE RIO  
RECREATION AND PARK DISTRICT**

**FINANCIAL STATEMENTS  
June 30, 2017**

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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, 2017, 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, 2017, 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 or the Budget to Actual Schedule that the accounting principles generally accepted in the United States has determined are necessary to supplement, although not required to be part of, the basic financial statements.

**Other Information**

We have also issued our report dated March 14, 2018 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.

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

March 14, 2018

**MONTE RIO RECREATION AND PARK DISTRICT**

**STATEMENT OF NET POSITION  
JUNE 30, 2017**

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and investments	\$ 364,592
Receivables	7,500
Prepaid expense	12,831
Capital assets:	
Land	73,177
Site improvements	1,790,877
Buildings and improvements	1,589,505
Equipment	184,219
Less: accumulated depreciation	<u>(910,015)</u>
Total Assets	<u><u>\$ 3,112,686</u></u>
<b>Liabilities</b>	
Current liabilities:	
Claims payable	\$ 10,018
Deposits	500
Accrued payroll	13,651
RCAC Loan	15,523
Noncurrent liabilities:	
RCAC Loan	<u>16,204</u>
Total Liabilities	<u>55,896</u>
<b>Net Position</b>	
Net investment in capital assets	2,711,559
Unrestricted	<u>345,231</u>
Total Net Position	<u><u>\$ 3,056,790</u></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, 2017**

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Total</u>
Governmental Activities:				
Community services/recreation	\$ 447,554	\$ 177,479	\$ -	\$ (270,075)
Interest expense	2,143			(2,143)
Total Governmental Activities	<u>\$ 449,697</u>	<u>\$ 177,479</u>	<u>\$ -</u>	<u>(272,218)</u>

General Revenues:

Taxes:			
Property tax, levied for general purposes			197,928
Other general revenue			16,408
Investment income			693
Total general revenues			<u>215,029</u>
Change in net position			(57,189)
Net position' - beginning			<u>3,113,979</u>
Net position - ending			<u>\$ 3,056,790</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, 2017**

	General Fund	Capital Project Fund	Totals Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets</b>			
Cash and investments	\$ 364,592	\$ -	\$ 364,592
Receivables	7,500		7,500
Prepaid expense	12,831		12,831
	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$384,923</u>		<u>\$ 384,923</u>
 <b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Claims payable	\$ 10,018	\$ -	\$ 10,018
Deposit	500		500
Accrued payroll	13,651		13,651
	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities	<u>24,169</u>		<u>24,169</u>
 <b>Fund Balances</b>			
Fund balances			
Assigned			-
Unassigned	360,754		360,754
	<u>          </u>	<u>          </u>	<u>          </u>
Total Fund Balances	<u>360,754</u>		<u>360,754</u>
	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities and Fund Balances	<u>\$384,923</u>	<u>\$ -</u>	<u>\$ 384,923</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, 2017**

Fund Balances of Governmental Funds	\$ 360,754
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.	2,727,763
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>(31,727)</u>
Net position of governmental activities	<u>\$ 3,056,790</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, 2017**

	General Fund	Capital Project Fund	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
Revenues			
Property taxes	\$ 197,928	\$ -	\$ 197,928
Intergovernmental revenues	-		-
Use of money and property	115,958	-	115,958
Charges for current services	62,214		62,214
Other revenues	16,408		16,408
	<u>392,508</u>	<u>-</u>	<u>392,508</u>
 Total Revenues	 392,508	 -	 392,508
 Expenditures			
Current Recreation Services:			
Salary and benefits	148,521	-	148,521
Services and Supplies	181,741		181,741
Debt service			
Principal	14,775		14,775
Interest	2,143		2,143
	<u>347,180</u>	<u>-</u>	<u>347,180</u>
 Total Expenditures	 347,180	 -	 347,180
 Excess (Deficit) of Revenues over Expenditures	 45,328	 -	 45,328
 Fund Balances, July 1, 2016	 315,426	 -	 315,426
 Fund Balances, June 30, 2017	 <u>\$ 360,754</u>	 <u>\$ -</u>	 <u>\$ 360,754</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, 2017**

Net Change in Fund Balances - Total Governmental Funds \$ 45,328

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:

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:

Cost of assets capitalized  
Depreciation expense (117,292)

Payments of long-term debt principal is an expenditure in the governmental funds, but the principal portion is recorded as long-term liabilities in the Statement of Net Position.

14,775

Change in net position of governmental activities \$ (57,189)

## MONTE RIO RECREATION AND PARK DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

#### 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, 2017

### 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, 2017**

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.

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.

**MONTE RIO RECREATION AND PARK DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

Note 1: Summary of Significant Accounting Policies (Continued)

Note 2: Cash and Investments

Cash and investments at June 30, 2017, consisted of the following:

Checking account	\$	126,092
Savings account		60,167
Imprest cash		100
Cash and investment in the County Treasurer		178,233
Total cash and investments	\$	364,592

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.

Authorized Investment Type	Maximum Maturity	Percentage of Portfolio	Investment in One Issuer
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, 2017**

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
Sonoma County*	\$ 178,233	\$ 178,233	\$ -
Totals	\$ 178,233	\$ 178,233	\$ -

\*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, 2017, the District's deposits balance was \$185,491 and the carrying amount was \$186,259. 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, 2017**

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, 2016	Additions	Retirement/ Adjustments	Balance June 30, 2017
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	(792,723)	(117,292)	-	(910,015)
Total capital assets, being depreciated, net	2,892,632	(117,292)	-	2,654,586
Governmental activities, capital assets, net	\$ 2,965,809	\$ (117,292)	\$ -	\$ 2,727,763

Note 4: Long-Term Liabilities

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017
<b>Governmental Activities</b>				
RCAC Loan	\$ 46,502	\$ -	\$ (14,775)	\$ 31,727
Totals	\$ 46,502	\$ -	\$ (14,775)	\$ 31,727

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 and semi-annual principal and interest payments of \$8,458.92 are due beginning January 1, 2015 as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2018	\$ 15,523	\$ 1,395	\$ 16,918
2019	16,204	609	16,813
Totals	\$ 31,727	\$ 2,004	\$ 33,731

## MONTE RIO RECREATION AND PARK DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

#### 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, 2017.

#### 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, 2017**

Note 8: Gann Limit

Total Subject Revenue 2016-17	\$ 197,928
Amount of limit for 2016-17	<u>318,931</u>
Amount (under)/over limit (all sources)	<u>\$ (121,003)</u>

Note 9: 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 10: 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.

# 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, 2017, and have issued our report thereon dated March 14, 2018. 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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 17-1 to 17-5 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.

*Larry Bain, CPA,  
An Accounting Corporation*

March 14, 2018

**MONTE RIO RECREATION AND PARK DISTRICT**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**JUNE 30, 2017**

**INTERNAL CONTROL FINDINGS**

**Significant Deficiencies Not Deemed Material Weaknesses**

**FS 17-1:** 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. We have noted this condition in prior audits.

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 17-2:** 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.

We also did not observe a current investment policy. We have noted this condition in prior audits.

Current Year Follow Up: No change.

Recommendation: We recommend the District create a written financial and accounting policy.

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

**FS 17-3:** During our testing of cash and credit card clearing we noted a \$215 credit card refund was issued by the District. Upon review of the support, we did not observe the District receiving the funds from the customer and the original transaction appears to have been voided. We did observe the District's correspondence with the company who processes the District's customer credit cards and the company appears to have errantly directed the District to provide the customer with a refund. As a result the District paid out \$215 that it never received. This was an isolated instance.

Recommendation: We recommend, should a situation like this arise again, the District ask to obtain a copy of the customer's bank statement showing the funds actually cleared their bank account. We also recommend the District try to collect the overpaid funds from the customer.

**FS 17-4:** During our testing of cash we noted the District did not perform the bank reconciliations for Oct 2016-March 2017 until May 2017. The bank reconciliations for April-June 2017 were not performed until October 7, 2017.

We also noted the general ledger balance was \$1,582 less than the balance from the bank reconciliation.

Recommendation: We recommend the District prepare their bank reconciliations in a timely manner after receiving the bank statements.

**MONTE RIO RECREATION AND PARK DISTRICT**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

**JUNE 30, 2017**

**FS 17-5:** During our testing of credit cards we noted the District is not retaining 100% of the credit card receipts. In prior years we have made this a verbal finding.

Recommendation: We recommend the District reconcile their credit card statements monthly and attach all support for credit card charges directly behind the credit card statement. If a store receipt is missing the District should attempt to obtain the receipt directly from the store to support the charge.