

BEAR RIVER RECREATION AND PARK DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2017

BEAR RIVER RECREATION AND PARK DISTRICT

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LARRY BAIN, CPA

An Accounting Corporation

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Bear River Recreation and Park District
Grass Valley, CA

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Bear River 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 financial statements referred to above present fairly, in all material respects, the financial position of the fund information and governmental activities of the Bear River Recreation and Park District, as of June 30, 2017, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The Bear River 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 September 1, 2017 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 other than MD&A, as listed in the table of contents, is not a required part of the basic financial statements but is 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.

Larry Bain, CPA,
An Accounting Corporation
September 1, 2017

BEAR RIVER RECREATION AND PARK DISTRICT

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

| | <u>Governmental Activities</u> |
|----------------------------------|------------------------------------|
| Assets | |
| Cash and investments | \$ 78,534 |
| Deposit with others | 2,000 |
| Accounts receivable | 10,256 |
| Restricted cash and investments | 200,252 |
| Capital assets: | |
| Land | 380,000 |
| Land improvements | 799,109 |
| Buildings and improvements | 66,605 |
| Equipment | 21,263 |
| Less: accumulated depreciation | <u>(726,883)</u> |
| Capital assets-net | <u>540,094</u> |
| Total Assets | <u><u>\$ 831,136</u></u> |
| Liabilities | |
| Accounts payable | <u>\$ 2,500</u> |
| Total Liabilities | <u>2,500</u> |
| Net Position | |
| Net Investment in capital assets | 540,094 |
| Unrestricted | <u>288,542</u> |
| Total Net Position | <u><u>\$ 828,636</u></u> |

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

BEAR RIVER RECREATION AND PARK DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

| Functions/programs | Expenses | Program Revenues | | Net (Expense) |
|-------------------------------|-------------------|----------------------|----------------------------------|---|
| | | Charges for Services | Capital Grants and Contributions | Revenue and Changes in Net Position Governmental Activities |
| Governmental Activities | | | | |
| Community services/recreation | \$ 230,015 | \$ 151,709 | \$ - | \$ (78,306) |
| Total Governmental Activities | <u>\$ 230,015</u> | <u>\$ 151,709</u> | <u>\$ -</u> | <u>(78,306)</u> |

General Revenues:

Taxes and Assessment:

| | |
|---|--------------------------|
| Property tax, levied for general purposes | 25,895 |
| Investment and rental income | <u>21,292</u> |
| Total general revenues | <u>47,187</u> |
| Change in net position | <u>(31,119)</u> |
| Net position - beginning-restated | <u>859,755</u> |
| Net position - ending | <u><u>\$ 828,636</u></u> |

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

BEAR RIVER RECREATION AND PARK DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017**

| | General Fund | Major Special Revenue Funds | | Total Governmental Funds |
|--|------------------|---|------------------|--------------------------------|
| | | Cascade Crossings Landscape & Lighting | Quimby Act Funds | |
| Assets | | | | |
| Cash and investments | \$ 78,534 | \$ - | \$ - | \$ 78,534 |
| Deposit with others | | | 2,000 | 2,000 |
| Accounts Receivable | 10,256 | | | 10,256 |
| Restricted cash and investments | | 157,829 | 42,423 | 200,252 |
| Total Assets | \$ 88,790 | \$ 157,829 | \$ 44,423 | \$ 291,042 |
| Liabilities and Fund Balances | | | | |
| Liabilities | | | | |
| Account Payable | \$ 2,500 | \$ - | \$ - | \$ 2,500 |
| Total Liabilities | 2,500 | - | - | 2,500 |
| Fund Balances | | | | |
| Restricted | - | | 44,423 | 44,423 |
| Assigned | - | 157,829 | | 157,829 |
| Unassigned | 86,290 | | | 86,290 |
| Total Fund Balances | 86,290 | 157,829 | 44,423 | 288,542 |
| Total Liabilities and Fund Balances | \$ 88,790 | \$ 157,829 | \$ 44,423 | \$ 291,042 |

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

BEAR RIVER RECREATION AND PARK DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

| | |
|--|--------------------------|
| Fund Balances of Governmental Funds | \$ 288,542 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Capital assets, net of accumulated depreciation, are not current financial resources and are not included in the governmental funds. | <u>540,094</u> |
| Net position of governmental activities | <u><u>\$ 828,636</u></u> |

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

BEAR RIVER RECREATION AND PARK DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

| | General Fund | Major Special Revenue Funds | | Total Governmental Funds |
|--|-----------------|---|------------------|--------------------------------|
| | | Cascade Crossings Landscape & Lighting | Quimby Act Funds | |
| Revenues | | | | |
| Property taxes | \$ 24,921 | \$ - | \$ - | \$ 24,921 |
| Special Assessment | - | 55,938 | | 55,938 |
| Intergovernmental revenues | 974 | | | 974 |
| Charges for current services | 88,379 | | | 88,379 |
| Use of money and property | 19,372 | 1,441 | 479 | 21,292 |
| Other revenues and reimbursements | - | | 7,392 | 7,392 |
| Total Revenues | 133,646 | 57,379 | 7,871 | 198,896 |
| Expenditures | | | | |
| Salaries and benefits | 46,656 | | | 46,656 |
| Services and supplies | 80,961 | 5,545 | 4,675 | 91,181 |
| Capital outlay | 3,675 | | 2,000 | 5,675 |
| Total Expenditures | 131,292 | 5,545 | 6,675 | 143,512 |
| Total Revenues over (Under Expenditures Before Other Financing Sources (Uses) | 2,354 | 51,834 | 1,196 | 55,384 |
| Other Financing Sources and Uses | | | | |
| Operating transfers in | 11,854 | | | 11,854 |
| Operating transfers out | | (11,854) | | (11,854) |
| Total other Financing Sources (Uses) | 11,854 | (11,854) | - | - |
| Net Change in Fund Balances | 14,208 | 39,980 | 1,196 | 55,384 |
| Fund Balances, July 1, 2016 | 48,227 | 109,115 | 43,227 | 200,569 |
| Change in due to/from other funds | 23,855 | (23,855) | | - |
| Change in due to BYLT | | 32,589 | | 32,589 |
| Fund Balances, July 1, 2016-Restated | 72,082 | 117,849 | 43,227 | 233,158 |
| Fund Balances, June 30, 2017 | \$ 86,290 | \$ 157,829 | \$ 44,423 | \$ 288,542 |

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

BEAR RIVER RECREATION AND PARK DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUE,
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 \$ 55,384

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 are 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 | 5,675 |
| Depreciation expense | (92,178) |
| Loss on disposal of assets | - |
| | <hr/> |

Change in net position of governmental activities \$ (31,119)

BEAR RIVER RECREATION AND PARK DISTRICT

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

Note 1: Summary of Significant Accounting Policies

The District was organized in 1994 under section 5780 of the California Public Resource Code. 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. Although the District is independent from the Nevada County Board of Supervisors, its financial activities are processed through the County Auditor-Controller's Office. The District provides a wide variety of year-round recreation programs, maintains the facilities and park areas and handles all the administrative duties of coordinating and planning the programs. The District serves over 22,000 people within a 109 square mile area in Nevada County.

In addition to providing recreational programs and services to the community, the District maintains park sites. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The District has defined its reporting entity in accordance with accounting principles generally accepted in the United States of America, which provide 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.

Based upon the aforementioned oversight criteria, the following is a component units:

The Cascade Crossing Landscape and Lighting Assessment District is included as a special revenue fund of the District.

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.

BEAR RIVER RECREATION AND PARK DISTRICT

**NOTES TO THE 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

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government. Governmental activities are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the program expenses of a given function are offset by program revenues. Program expenses include direct expenses, which are clearly identifiable with a specific function. Program revenues include 1) charges paid by the recipient of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

Fund Financial Statements

The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in separate columns. All remaining governmental funds are separately aggregated and reported as non-major funds.

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 funds). The measurement focus is based upon determination of changes in financial position. The following are the District's 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.

Special Revenue Funds - These funds account for the activity of the developer impact fees as well as the one landscape and lighting maintenance district that is legally restricted to expenditures for specific purposes.

The District does not operate enterprise funds.

BEAR RIVER RECREATION AND PARK DISTRICT

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

Note 1: Summary of Significant Accounting Policies (Continued)

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

G. Property Taxes

The District receives property taxes from the County of Nevada, 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 installments 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. 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.

H. Capital Assets

Capital assets, recorded at historical cost or estimated historical cost if actual historical cost is not available, are reported in the governmental activities and business-type activities columns of the government-wide financial statements. Capital assets include land, buildings and site improvements and equipment and machinery. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset 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 basis over the useful life of the assets as follows:

| <u>Assets</u> | <u>Useful Life</u> |
|-------------------------|--------------------|
| Buildings | 50 years |
| Building improvements | 10-20 years |
| Site improvements | 10-20 years |
| Equipment and machinery | 5 to 20 years |

BEAR RIVER RECREATION AND PARK DISTRICT

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

Note 1: Summary of Significant Accounting Policies (Continued)

I. Interfund Transactions

Balances representing lending/borrowing transactions between funds outstanding at the fiscal year end are reported as either “due from/due to other funds” (amounts due within one year), “advances to/from other funds” (non-current portions of interfund lending/borrowing transactions), or “loans to/from other funds” (long-term lending/borrowing transactions evidenced by loan agreements). Advances and loans to other funds are offset by a fund balance reserve in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

Note 2: Cash and Investments

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

| | |
|--|--------------------------|
| Checking account | \$ 1,300 |
| Imprest cash | 300 |
| Cash and investments with County Treasurer | <u>277,186</u> |
| Total cash and investments | <u><u>\$ 278,786</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 Bear River 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 |

BEAR RIVER RECREATION AND PARK DISTRICT

**NOTES TO THE 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 that 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 |
| Nevada County* | \$ 277,186 | \$ 277,186 | \$ - |
| Totals | \$ 277,186 | \$ 277,186 | \$ - |

*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 \$2,370 and the carrying amount was \$1,300. The difference between the bank balance and the carrying amount (if any) was due to normal outstanding checks and deposits in transit. Of the bank balance all was covered by the Federal Depository Insurance or by collateral held in the pledging bank's trust department in the District's name.

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 Nevada 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.

BEAR RIVER RECREATION AND PARK DISTRICT

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

Note 3: Property Plant and Equipment

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

| | Balance June 30, 2016 | Additions | Retirements/ Adjustments | Balance June 30, 2017 |
|--|--------------------------|-------------|-----------------------------|--------------------------|
| Governmental Activities | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 380,000 | \$ - | \$ - | \$ 380,000 |
| Capital assets, being depreciated: | | | | |
| Land improvements | 804,109 | - | - | 804,109 |
| Buildings and improvements | 66,605 | - | - | 66,605 |
| Equipment | 10,588 | 5,675 | | 16,263 |
| Total capital assets, being depreciated | 881,302 | 5,675 | - | 886,977 |
| Less accumulated depreciation: | (634,705) | (92,178) | - | (726,883) |
| Total capital assets, being depreciated, net | 246,597 | (86,503) | - | 160,094 |
| Governmental activities capital assets, net | \$ 626,597 | \$ (86,503) | \$ - | \$ 540,094 |

Note 4: Park Dedication Fund

The County maintains an account for the benefit of the Bear River Recreation and Park District. The corpus of the fund consists of in lieu fees paid by developers of subdivisions within the boundaries of the District. The use of these funds by the District is restricted for the purpose of providing park and recreation facilities to serve the population. The funds are collected by the County of Nevada building department as part of the developer building fees and then transferred to a District fund established for developer fees. The Board of Directors is required by resolution to authorize transfer of the funds into the general fund of the District, to be spent on restricted projects benefiting the community. The activity of this fund is recorded in a special revenue fund of the District.

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 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 general and automobile liability excess claims 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. Settlements have not exceeded insurance coverage in any of the last three years.

BEAR RIVER RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2017

Note 6: Lease Income

The District derives a portion of its revenue from the rental of real property based on a fixed lease amount. All leases of the District are treated as operating leases for accounting purposes. Lease terms are month to month or for one year periods and can be terminated by the tenant at any time and without cause by giving the District thirty days written notice of termination. Because these are cancelable leases we do not present the operating revenue over the term of the lease.

Note 7: Restatement of Fund Balance

The District restated beginning general fund, fund balance with an increase of \$23,855 and restated beginning Cascade Crossing fund balance with a decrease of \$23,855 as a result of the District writing off an interfund loan. The District reviewed the financial activity for the prior financial activity and determined the general fund did not owe the Cascade Crossing fund. The District also restated beginning Cascade Creek fund balance and net position as a result of reclassifying the prior year due to Bear Yuba Land Trust liability to assigned fund balance.

Note 8: Gann Limit

Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), California governmental agencies are restricted as to the amount of annual appropriation from proceeds of taxes. Under Section 10.5 of Article XIII B the appropriations limit is required to be calculated based on the limit for the fiscal year 1986-87, adjusted for inflation and population factors as supplied by the State Department of Finance.

Because the District's proceeds of subject taxes in the 1978/79 fiscal year was less than 12.5 cents per \$100 assessed value the District is not subject to the Gann Limit.

Note 9: 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.

Note 10: Commitments and Contingent Liabilities

Grants are subject to audit to determine compliance with their requirements. District officials believe that if any refunds are required, they would not have a significant effect on the financial condition or liquidity of the District.

The District entered into a Memorandum of Understanding with the Bear Yuba Land Trust (BYLT), whereby BYLT will maintain and monitor compliance of preserved land within the Cascade Crossing Assessment District. As part of this agreement a portion of the assessment revenue designated for preserving land within the Cascade Crossing Assessment District will be used to pay BYLT based on actual costs incurred by BYLT. The amount assigned to BYLT is part of the assigned fund balance in the Cascade Crossing Special Revenue Fund.

In the normal course of business, the District is a defendant in various lawsuits. Defence of lawsuits are typically handled by the District's insurance carrier and losses, if any, are expected to be covered by insurance. The District is unaware of any pending litigation or other contingencies which would have a material effect on the financial condition or liquidity of the District.

BEAR RIVER RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

Note 11: Subsequent Events

On July 1, 2017 the District entered into a lease agreement to rent office space from Lake Center Plaza for \$700 per month for a one year term.

On July 10, 2017 the District closed escrow and sold their Kimler Ranch property for \$599,000. As part of the sale the District provided financing in the amount of \$499,000 to the buyer for a 3 year term at a 5% interest rate.

BEAR RIVER RECREATION AND PARK DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|--------------------|-----------------|------------------|--|
| Revenues | | | | |
| Property taxes | \$ 24,000 | \$ 24,000 | \$ 24,921 | \$ 921 |
| Intergovernmental revenues | | | 974 | 974 |
| Charges for current services | 98,900 | 98,900 | 88,379 | (10,521) |
| Use of money and property | 19,500 | 19,500 | 19,372 | (128) |
| Other revenues | - | - | | - |
| Total Revenues | <u>142,400</u> | <u>142,400</u> | <u>133,646</u> | <u>(8,754)</u> |
| Expenditures | | | | |
| Salaries and benefits | 50,000 | 50,000 | 46,656 | 3,344 |
| Services and supplies | 83,140 | 83,140 | 80,961 | 2,179 |
| Capital outlay | | | 3,675 | (3,675) |
| Total Expenditures | <u>133,140</u> | <u>133,140</u> | <u>131,292</u> | <u>1,848</u> |
| Total Revenues over (Under Expenditures Before Other Financing Sources (Uses)) | <u>9,260</u> | <u>9,260</u> | <u>2,354</u> | <u>(6,906)</u> |
| Other Financing Sources | | | | |
| Operating transfers in | | | 11,854 | \$ 11,854 |
| Total other Financing Sources | <u>-</u> | <u>-</u> | <u>11,854</u> | <u>11,854</u> |
| Net Change in Fund Balances | <u>\$ 9,260</u> | <u>\$ 9,260</u> | <u>14,208</u> | <u>\$ 4,948</u> |
| Fund Balances, July 1, 2016 | | | 48,227 | |
| Change in due from other funds | | | <u>23,855</u> | |
| Fund Balances, July 1, 2016-Restated | | | <u>72,082</u> | |
| Fund Balances, June 30, 2017 | | | <u>\$ 86,290</u> | |

The note to the required supplementary information is an integral part of this statement

BEAR RIVER RECREATION AND PARK DISTRICT

**NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017**

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 sources of financing.

The budgets for the general fund is adopted on the modified accrual basis of accounting. The District did not adopt budgets for its special revenue funds as is required by generally accepted accounting principles.

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 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

Board of Directors
Bear River Recreation and Park District
Grass Valley, CA

We have audited the financial statements of the Bear River Recreation and Park District as of and for the fiscal year ended June 30, 2017, and have issued our report thereon dated September 1, 2017. 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 Bear River 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 findings FS 17-1 through 17-5 in the following schedule of findings to be significant deficiencies in the District's internal control.

Bear River Recreation and Park District's Response to Findings

The Bear River 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 and accordingly this report is not suitable for any other purpose.

This communication is intended solely for the information and use of the Board of Directors, management, the Nevada County Auditor Controller's Office and the Controller's Office of the State of California and is not intended to be and should not be used by anyone other than these specified parties.

Larry Bain, CPA,
An Accounting Corporation
September 1, 2017

BEAR RIVER RECREATION AND PARK DISTRICT

SCHEDULE OF FINDINGS

JUNE 30, 2017

Significant Deficiencies Not Deemed Material Weaknesses

Finding 17-1 (Prior Year Finding 12-1): We noted the District did not have a capital asset policy and based on our review of the District's depreciation schedule we noted that equipment and structures and improvements at Kimler Ranch were not detailed enough to identify what the asset is.

Current Year Follow Up: No change

Recommendation: We recommend the District approve a capital asset policy. We also recommend detailing the information presented in the capital asset schedule so the asset can be easily identifiable.

Finding 17-2: 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. We noted this comment in the previous audit.

Recommendation: The District should attempt to segregate accounting functions to the greatest extent possible.

FS 17-3: The District 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. 115 (amended by SAS 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 have noted this condition in prior audits.

Current Year Follow Up: No change.

Recommendation: The District should consider training staff in preparing GAAP financial statements or hire an external qualified accountant to prepare the GAAP financial statements. The District could opt to take no action if it considers the cost will outweigh the benefit.

FS 17-4 (Prior Year Finding 12-9): During our audit we noted the District did not implement the provisions of Government Accounting Standards Board Statement 54 as required by U.S. generally accepted accounting policies. This new standard went into effect for fiscal year ending June 30, 2011. The requirement categorizes fund balances into five separate categories and sets a new definition for special revenue funds.

Current Year Follow Up: No change.

Recommendation: We recommend the District review the provisions of GASB 54 and take action to adopt the new standard. This could be included in the update of the accounting procedures and policy manual.

FS 17-5 (Prior Year Finding 14-10): During our testing of accrued liabilities we noted payroll tax payable had a \$5,706.43 credit balance at June 30, 2014. We noted a portion of this liability was paid in July 2014 for unpaid June 2013 payroll tax, but the remaining balance could not be identified. It would appear that there are unpaid Payroll taxes from prior payroll periods, or miscoding's were made from prior periods.

We also noted check #10296 and #10297 were paid to the EDD on 4/12/14 for \$1,043.59 and were reissued on 7/14/14. We did not see that the original checks were voided. Additionally, check #10375 paid to the IRS for June 2013 payroll taxes was coded to payroll tax expense as opposed to payroll tax liability.

BEAR RIVER RECREATION AND PARK DISTRICT

SCHEDULE OF FINDINGS

JUNE 30, 2017

Significant Deficiencies Not Deemed Material Weaknesses (Continued)

2015/16 Follow Up: During the 2015/16 fiscal year audit we noted QuickBooks reported a payroll tax liability of \$6,719.09. Because QuickBooks is used to process payroll, internal controls over financial reporting for payroll accounts is critical. We noted payments for penalty and interest were recorded to the payroll tax liability account, where no liability had been recorded to offset these payments.

During the 2015/16 fiscal year audit we also noted some of the 941 and DE's quarterly tax returns were not filed with the EDD or IRS and the annual tax returns for calendar year 2014 were also not filed. We did observe that the monthly tax liability payments were remitted to the EDD and IRS.

Current Year Follow Up: During the current year we observed a notice from the IRS stating the District had not filed their 2015 tax return. We also observed notices from the IRS stating the District was late submitted some of their federal tax deposits. Upon review, while the District was making federal tax deposits they were not submitting the signed 941s tax form to the IRS for all quarters.

We also noted the District hired an outside payroll service. While this should resolve the payroll tax filing issues, the District will still need to monitor the outside payroll service to verify that the proper documents are filed. The payroll tax liability account recorded a \$6,444.81 liability at 6/30/17 which was not supported by the underlying activity.

Recommendation: We recommend the District reconcile and true up the payroll tax liability account balance in QuickBooks. We also recommend the District verify that all tax reporting forms have been submitted to the IRS and the EDD. The District should work with the new outside payroll service to verify compliance with filing the required payroll tax forms to the EDD and IRS.