

**WESTERN GATEWAY RECREATION AND PARK DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

**WESTERN GATEWAY RECREATION AND PARK DISTRICT
JUNE 30, 2017 AND 2016
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**WESTERN GATEWAY RECREATION AND PARK DISTRICT
FOR THE YEAR ENDED JUNE 30, 2017 AND 2016**

Members of the Board of Directors

Nancy Peirce	Chairman
Cliff Bryant	Vice Chairman
Chris Harris	Director
Jim Driver	Member
Dan House	Member

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Western Gateway Recreation and Park District

We have audited the accompanying financial statements of the governmental activities and each major fund of Western Gateway Recreation and Park District (District) as of and for the year ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Western Gateway Recreation and Park District as of June 30, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 18-19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California
October 15, 2018

**WESTERN GATEWAY RECREATION AND PARK DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

Our discussion and analysis of the Western Gateway Recreation and Park District's (hereafter referred to as the District) financial performance provides an overview of the District's financial activities for the fiscal years ended June 30, 2017 and 2016.

I. Brief Discussion of the Basic Financial Statements

The District is a Special District of the County of Nevada. Following this discussion and analysis are the financial statements of the District. The financial statements are designed to provide readers with a broad overview of the District's financial status.

The Statement of Net Position presents information on all of the District's assets and liabilities. The difference between the two is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the District's financial position.

The Statement of Activities presents information showing the change in the District's net position during the fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of timing of related cash flows.

Fund Financial Statements are prepared on the modified accrual basis of accounting in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board. The District is structured with two governmental funds with revenues recognized in the accounting period in which they become available and measurable and expenditures recognized in the accounting period in which the fund liability is incurred, if measurable. The District also maintains a local bank account (not to exceed \$1,000) used for operational expenses.

II. Condensed Government-Wide Financial Information

At June 30, 2017 and 2016, the District had total net position of \$1,021,330 and \$999,805 respectively. At June 30, 2017, the net position amount consisted of the total assets of \$1,029,135 less the total liabilities of \$7,805. At June 30, 2016, the net position amount consisted of the total assets of \$1,014,111 less the total liabilities of \$14,306.

The net position for the district increased by 2.11% from \$999,805 at June 30, 2016, to \$1,021,330 on June 30, 2017. The net position for the district decreased by .67% from \$1,006,491 at June 30, 2015, to \$999,805 on June 30, 2016. This is an increase of \$21,825 in June 30, 2017 and decrease of \$6,686 in June 30 2016 comes from the change in net position as recorded in the Statement of Activities and flows through the Statement of Net Position. Program expenses by function, general revenues by major source, excess of revenues over expenses and total assets are presented in the Statement of Activities and Changes in Net Position.

**WESTERN GATEWAY RECREATION AND PARK DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**Western Gateway Recreation and Park District's Net Position
June 30, 2017 and 2016**

	2017	2016	Variance	Change
ASSETS				
Total Current Assets	167,542	130,455	37,087	28%
Capital Assets	861,593	883,656	(22,063)	-3%
Total Assets	1,029,135	1,014,111	15,024	2%
LIABILITIES				
Total Liabilities	7,805	14,306	(6,501)	-45%
NET POSITION				
Invested in capital assets	861,593	883,656	(22,063)	-3%
Restricted for capital improvements	61,169	63,315	(2,146)	-4%
Unrestricted	98,568	52,834	45,734	46%
Total Net Position	1,021,330	999,805	21,525	2%

**Western Gateway Recreation and Park District's Net Position
June 30, 2016 and 2015**

	2016	2015	Variance	Change
ASSETS				
Total Current Assets	130,455	94,744	35,711	38%
Capital Assets	883,656	922,440	(38,784)	-4%
Total Assets	1,014,111	1,017,184	(3,073)	0.3%
LIABILITIES				
Total Liabilities	14,306	9,748	3,613	34%
NET POSITION				
Invested in capital assets	883,656	922,440	(38,784)	-4%
Restricted for capital improvements	63,315	58,324	4,991	9%
Unrestricted	52,834	25,727	27,107	105%
Total Net Position	999,805	1,006,491	(6,686)	-1%

**WESTERN GATEWAY RECREATION AND PARK DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

III. Analysis of Financial Position and Results of Operations

Changes in Western Gateway Recreation and Park District's Net Assets
June 30, 2017 and 2016

	2017	2016	Variance	Change
REVENUES				
Property Taxes, Parcel Assessments	106,574	106,186	388	0.4%
Mitigation Fees	11,121	12,838	(1,717)	-13%
Charges for Current Services	57,375	44,973	12,402	28%
Miscellaneous Income	1,677	1,921	(244)	-13%
Donation	11,342	1,503	9,839	655%
Investment Earnings	1,467	765	702	92%
Total Revenues	189,556	168,186	21,370	13%
EXPENSES				
General	157,226	153,351	3,875	3%
Capital Outlay	10,805	21,521	(10,716)	-50%
Total Expenses	168,031	174,872	(6,841)	-4%
 Change in Net Position	 21,525	 (6,686)	 28,211	 422%

Changes in Western Gateway Recreation and Park District's Net Assets
June 30, 2016 and 2015

	2016	2015	Variance	Change
REVENUES				
Property Taxes, Parcel Assessments	106,186	106,095	91	0.1%
Mitigation Fees	12,838	8,253	4,585	56%
Charges for Current Services	44,973	41,817	3,156	8%
Miscellaneous Income	1,921	-	1,921	192000%
Donation	1,503	4,048	(2,545)	-63%
Investment Earnings	765	510	255	50%
Total Revenues	168,186	160,723	7,463	5%
EXPENSES				
General	153,351	158,299	(4,948)	-3%
Capital Outlay	21,521	130,867	(109,346)	-84%
Total Expenses	174,872	289,166	(114,294)	-40%
 Change in Net Position	 (6,686)	 (128,443)	 121,757	 95%

**WESTERN GATEWAY RECREATION AND PARK DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

III. Analysis of Financial Position and Results of Operations – Continued

The total revenues for the district increased by 13% from June 30, 2016 to June 30, 2017. The total revenues increased by 5% from June 30, 2015 to June 30, 2016.

Total expenses for the district decreased by 4% from June 30, 2016 to June 30, 2017. At June 30, 2017 total expenses decreased by \$6,841 for a total of \$168,031. Total expenses for the district decreased by 40% from June 30, 2015 to June 30, 2016. At June 30, 2016 total expenses decreased by \$114,294 for a total of \$174,872.

The change in net position for 2017 was \$21,525 which represents an increase of \$28,211 or 422% from 2016. The change in net position for 2016 was (\$6,686) which represents an increase of \$121,757 or 95% from 2015.

IV. Analysis of Fund Balances and Transaction

The District uses fund accounting to assure and demonstrate compliance with the legal requirements of the Special District. The Fiscal Year 2017 and 2016 fund financial statement reflects the activities of the two governmental funds of the authority on a modified accrual basis.

The funds of the District provide information on short-term inflows, outflows, and balances of available resources. The revenues for the District totaled \$189,556 and \$168,186 at June 30, 2017 and 2016, respectively. The expenditures were \$168,031 and \$174,872 for the years ended June 30, 2017 and 2016, respectively, compared to \$289,166 at June 30, 2015.

V. Budget Variance Analysis

The operating budget for 2017 was \$179,706 with actual expenditures of \$168,031 for a variance of \$11,675. Capital expenditures were lower than budgeted by \$37,701 for the year ended June 30, 2017. The operating budget for 2016 was \$196,900 with actual expenditures of \$174,872 for a variance of \$22,028. Capital expenditures were lower than budgeted by \$4,479 for the year ended June 30, 2016.

VI. Capital Assets

Capital assets for the District total \$861,593 and \$883,656 at June 30, 2017 and 2016, respectively. The total net assets are \$1,021,330 and \$999,805 at June 30, 2017 and 2016, respectively. For the year ended June 30, 2017, the park had expenditures of \$30,572 for capital assets, less current year depreciation of \$46,029. For the year ended June 30, 2016, the park had expenditures of \$27,276 for capital assets, less current year depreciation of \$44,539.

VII. Contacting the District's Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Any questions about this report or requests for additional information may be directed to the District at 18560 Penn Valley Dr, Penn Valley, CA 95946

WESTERN GATEWAY RECREATION AND PARK DISTRICT
GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION
JUNE 30, 2017

	<u>Governmental Funds</u>			<u>Adjustments</u>	<u>Statement of Net Position</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>		
ASSETS					
CURRENT ASSETS					
Cash in County Investment Pool	\$ 102,607	\$ 61,169	\$163,776	\$ -	\$ 163,776
Cash on Hand	2,582	-	2,582	-	2,582
Rental Fee Receivable	1,184	-	1,184	-	1,184
Total Current Assets	<u>106,373</u>	<u>61,169</u>	<u>167,542</u>	<u>-</u>	<u>167,542</u>
NON-CURRENT ASSETS					
Capital Assets- net	-	-	-	861,593 ^a	861,593
Total Assets	<u>\$ 106,373</u>	<u>\$ 61,169</u>	<u>\$167,542</u>	<u>861,593</u>	<u>\$1,029,135</u>
LIABILITIES AND FUND BALANCES					
CURRENT LIABILITIES					
Accounts Payable	\$ 2,932	\$ -	\$ 2,932	\$ -	\$ 2,932
Accrued Payroll	958	-	958	-	958
Customer Deposits	3,915	-	3,915	-	3,915
Total Liabilities	<u>7,805</u>	<u>-</u>	<u>7,805</u>	<u>-</u>	<u>7,805</u>
FUND BALANCES					
Unassigned	97,384	-	97,384	(97,384)	-
Committed	-	61,169	61,169	(61,169)	-
Nonspendable	1,184	-	1,184	(1,184)	-
Total Fund Balances	<u>98,568</u>	<u>61,169</u>	<u>159,737</u>	<u>(159,737)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 106,373</u>	<u>\$ 61,169</u>	<u>\$167,542</u>		
NET POSITION					
Invested in capital assets				861,593	861,593
Restricted for capital improvements				61,169	61,169
Unrestricted				98,568	98,568
Total Net Position				<u>\$ 1,021,330</u>	<u>\$1,021,330</u>

^a Capital assets used in the governmental activities are not financial resources and therefore are not reported in the governmental funds.

See accompanying notes to financial statements.

WESTERN GATEWAY RECREATION AND PARK DISTRICT
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	Governmental Funds			Adjustments	Statement of Activities
	General	Special Revenue	Total		
Revenues:					
Property Taxes, Parcel Assessments	\$ 106,574	\$ -	\$ 106,574	\$ -	\$ 106,574
Mitigation Fees	-	11,121	11,121	-	11,121
Charges for Current Services	57,375	-	57,375	-	57,375
Miscellaneous Income	1,677	-	1,677	-	1,677
Donation	11,342	-	11,342	-	11,342
Investment Earnings	918	549	1,467	-	1,467
Total Revenue	<u>177,886</u>	<u>11,670</u>	<u>189,556</u>	<u>-</u>	<u>189,556</u>
Expenditures:					
Accounting Fees	12,935	-	12,935	-	12,935
Assessment Fees	4,684	-	4,684	-	4,684
Equipment and Rentals	4,239	-	4,239	(4,199) b	40
Insurance	2,076	-	2,076	-	2,076
Interest	6	-	6	-	6
Janitorial Supplies	3,747	-	3,747	-	3,747
Miscellaneous Expense	1,541	-	1,541	-	1,541
Office Supplies	952	-	952	-	952
Payroll Expenses	59,872	-	59,872	-	59,872
Shop Supplies	256	-	256	-	256
Utilities	25,088	-	25,088	-	25,088
Capital Outlays	16,756	13,816	30,572	(19,767) b	10,805
Depreciation Expense	-	-	-	46,029 a	46,029
Total Expenditures	<u>132,152</u>	<u>13,816</u>	<u>145,968</u>	<u>22,063</u>	<u>168,031</u>
Excess of Revenues over Expenditures	<u>45,734</u>	<u>(2,146)</u>	<u>43,588</u>	<u>(22,063)</u>	<u>21,525</u>
Changes in Fund Balances	<u>45,734</u>	<u>(2,146)</u>	<u>43,588</u>		
Change in Net Position					21,525
Fund Balances/Net Position					
Beginning of the year	<u>52,834</u>	<u>63,315</u>	<u>116,149</u>		<u>999,805</u>
End of the year	<u>\$ 98,568</u>	<u>\$ 61,169</u>	<u>\$ 159,737</u>		<u>\$ 1,021,330</u>

a Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in the governmental funds.

WESTERN GATEWAY RECREATION AND PARK DISTRICT
GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Governmental Funds</u>			<u>Adjustments</u>	<u>Statement of Net Position</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>		
ASSETS					
CURRENT ASSETS					
Cash in County Investment Pool	\$ 65,862	\$ 63,315	\$129,177	\$ -	\$ 129,177
Cash on Hand	1,248	-	1,248	-	1,248
Rental Fee Receivable	30	-	30	-	30
Total Current Assets	<u>67,140</u>	<u>63,315</u>	<u>130,455</u>	<u>-</u>	<u>130,455</u>
NON-CURRENT ASSETS					
Capital Assets- net	-	-	-	883,656 ^a	883,656
Total Assets	<u>\$ 67,140</u>	<u>\$ 63,315</u>	<u>\$130,455</u>	<u>883,656</u>	<u>\$1,014,111</u>
LIABILITIES AND FUND BALANCES					
CURRENT LIABILITIES					
Accounts Payable	\$ 4,176	\$ -	\$ 4,176	\$ -	\$ 4,176
Accrued Payroll	3,280	-	3,280	-	3,280
Customer Deposits	6,850	-	6,850	-	6,850
Total Liabilities	<u>14,306</u>	<u>-</u>	<u>14,306</u>	<u>-</u>	<u>14,306</u>
FUND BALANCES					
Unassigned	52,804	-	52,804	(52,804)	-
Committed	-	63,315	63,315	(63,315)	-
Nonspendable	30	-	30	(30)	-
Total Fund Balances	<u>52,834</u>	<u>63,315</u>	<u>116,149</u>	<u>(116,149)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 67,140</u>	<u>\$ 63,315</u>	<u>\$130,455</u>		
NET POSITION					
Invested in capital assets				883,656	883,656
Restricted for capital improvements				63,315	63,315
Unrestricted				52,834	52,834
Total Net Position				<u>\$ 999,805</u>	<u>\$ 999,805</u>

^a Capital assets used in the governmental activities are not financial resources and therefore are not reported in the governmental funds.

See accompanying notes to financial statements.

**WESTERN GATEWAY RECREATION AND PARK DISTRICT
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

	Governmental Funds		Total	Adjustments	Statement of Activities
	General Fund	Special Revenue Funds			
Revenues:					
Property Taxes, Parcel Assessments	\$ 106,186	\$ -	\$ 106,186	\$ -	\$ 106,186
Mitigation Fees	-	12,838	12,838	-	12,838
Charges for Current Services	44,973	-	44,973	-	44,973
Miscellaneous Income	1,921	-	1,921	-	1,921
Donation	1,503	-	1,503	-	1,503
Investment Earnings	251	514	765	-	765
Total Revenue	154,834	13,352	168,186	-	168,186
Expenditures:					
Accounting Fees	5,640	-	5,640	-	5,640
Assessment Fees	4,653	-	4,653	-	4,653
Equipment and Rentals	913	-	913	-	913
Insurance	4,115	-	4,115	-	4,115
Janitorial Supplies	4,462	-	4,462	-	4,462
Miscellaneous Expense	900	-	900	-	900
Office Supplies	1,653	-	1,653	-	1,653
Payroll Expenses	58,967	-	58,967	-	58,967
Shop Supplies	2,789	-	2,789	-	2,789
Utilities	24,720	-	24,720	-	24,720
Capital Outlays	18,915	8,361	27,276	(5,755) b	21,521
Depreciation Expense	-	-	-	44,539 a	44,539
Total Expenditures	127,727	8,361	136,088	38,784	174,872
Excess of Revenues over Expenditures	27,107	4,991	32,098	(38,784)	(6,686)
Changes in Fund Balances	27,107	4,991	32,098		
Change in Net Position					(6,686)
Fund Balances/Net Position					
Beginning of the year	25,727	58,324	84,051		1,006,491
End of the year	<u>\$ 52,834</u>	<u>\$ 63,315</u>	<u>\$ 116,149</u>		<u>\$ 999,805</u>

a Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in the governmental funds.

b Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized as fixed assets.

WESTERN GATEWAY RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 – NATURE OF THE ORGANIZATION

Description of the Organization

The Western Gateway Recreation & Park District (District) was formed under Section 57200 of the California Resources Code. The District operates under a five-member Board of Directors and provides general administrative, maintenance, and capital improvements to recreation and park facilities in Penn Valley, California.

The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, are set forth in GASB Statement No. 14 "The Financial Reporting Entity" and GASB Statement No. 39 "Determining Whether Certain Organizations Are Component Units". Based on that criteria, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Accounting

Government-wide and Fund Financial Statement

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the District considers revenues to be available if they are collected within sixty days after the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred as under accrual accounting.

**WESTERN GATEWAY RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 2 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District only uses governmental funds.

Governmental Funds

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

Governmental Activities Consisted of the Following Major Funds:

General Fund

The General Fund is the general operating fund of the District. Fire and Rescue operations and administrative support are the focus of the activity in this fund.

Special Revenue Fund (Mitigation)

The Special Revenue Fund is used to account for mitigation fees allowed by California Law AB1600 for the purpose of offsetting increased capital costs due to development. A resolution by the Nevada County Board of Supervisors allows the collection of these fees and requires that they be spent only for capital additions due to development and additionally requires that these funds be spent and/or designated within five years of collection or they are refundable with interest to the payers. The District's policy is to fully expend these funds within the required time frame and, accordingly, no liability has been recognized.

Net Position

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

Invested in Capital Assets, Net of Related Debt: This category records capital assets net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowing attributable to the acquisition, construction or improvement of capital assets.

Restricted Net Position: This category represents the net position of the District which is restricted by external sources such as banks or by law. When assets are required to be retained in perpetuity, the non-expendable net position is recorded separately from expendable net position.

Unrestricted Net Position: This category represents the net position of the District which is not restricted for any project or other purpose.

When the District incurs an expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

**WESTERN GATEWAY RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 2 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Fund Balances

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories as noted below.

Nonspendable –

This category includes elements of the fund balance that cannot be spent because of their form, or because they must be maintained intact. For example:

- Assets that will never convert to cash, such as prepaid items and inventories of supplies;
- Assets that will not convert to cash soon enough to affect the current period, such as non-financial assets held for resale; or
- Resources that must be held intact pursuant to legal or contractual requirements, such as revolving loan fund capital or the principal of an endowment.

Restricted –

This category includes resources that are subject to constraints that are externally enforceable legal restrictions. Examples include:

- Funding from the state or federal entities or foundations that are legally restricted to specific uses. For example, funds advanced by a federal entity under specific agreements for services, or matching funds for specific initiatives.
- Funds legally restricted by County, state, or federal legislature, or a government’s charter or constitution.
- Amounts collected from non-spendable items, such as the long term portion of loans outstanding, if those amounts are also subject to legal constraints.
- Funding that has been designated for legally enforceable contracts but not yet spent. This includes multi-year contracts.

Committed –

Two criteria are used to determine the District’s committed fund balance:

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

Commitments, modifications, or removals must occur prior to the end of the reporting period; that is, the fiscal year being reported upon.

**WESTERN GATEWAY RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 2 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Assigned –

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

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

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

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

Unassigned –

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

If situations arise where there is a possibility of assigning an expense into more than one category, the restricted amount will be reduced first, followed by unrestricted amounts.

WESTERN GATEWAY RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Bad Debts

Bad debts are written off using the direct write-off method which is not in accordance with generally accepted accounting principles; however, the effect of this departure is not considered material.

Budget

An operating budget is legally adopted by resolution each fiscal year for the General and Special Revenue (Capital Project) Funds on a modified accrual basis. Appropriations lapse at the end of each fiscal year.

The level of legal budgetary control under the operating budget is by fund, except for the General Fund for which the level of control is by various departments. For the applicable levels of control, the budget can be amended only by District Council action. Additionally, the transfer of any sums within any specific appropriations may be made only upon approval by the District Board.

Interfund Transactions

Operating transfers are made in certain funds to shift resources from a fund legally authorized to receive revenue to a fund authorized to expend the revenue.

Estimates

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

Fixed Assets

The District's property, plant and equipment, and infrastructure with useful lives of more than one year are stated at estimated or historical cost and reported in the government-wide financial statements. The District generally capitalizes assets with costs in excess of \$500. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method over the estimated life of the asset. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

**WESTERN GATEWAY RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 3 – CREDIT RISK, CARRYING VALUE AND MARKET VALUE OF INVESTMENTS

Nearly all cash at June 30, 2017 and 2016 is pooled for investment purposes and held by Nevada County. Interest is apportioned quarterly to the District based on the average daily balances on deposit with the County of Nevada. The Nevada County Treasury is an external investment pool for the District and the District is considered an involuntary participant. The investments made by the Treasurer are regulated by the California Government Code and by the County’s investment policy. The County established a treasury oversight committee to monitor and review the management of public funds maintained in the investment pool in accordance with Article 6 Section 27131 of the California Government Code.

The oversight committee and the Board of Supervisors review and approve the investment policy annually. The County Treasury is accountable to the County Treasury Oversight Committee. The District’s fair value portion in the pool is the same as the District’s pool share. There was no difference between the carrying amount and the fair value of cash and investments; therefore, an adjustment to fair value was not required for GASB 31 compliance.

The District deposits all funds in interest bearing accounts with Nevada County. The District does not own any specific identifiable investments in the pool. Information regarding categorization of cash and investments held in the County can be found in the County of Nevada’s financial statements.

The District’s carrying amount and fair value of investments in the County Treasury as of June 30, 2017 and 2016 are as follows:

Pooled Investments:	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Difference</u>
June 30, 2017	\$102,607	\$ 61,169	\$ -
June 30, 2016	\$ 65,862	\$ 63,315	\$ -

Fair value was based on unaudited quoted market values provided by the Nevada County Treasurer.

The State law and County’s Investment Policy limit investments in commercial paper to the rating of A1 by Standards & Poor’s or P1 by Moody’s Investors Services. State law and the County’s Investment Policy also limit investments in corporate bonds to the rating of A by Standard & Poor’s and Moody’s Investors Services. The County’s investment reports can be obtained from the County of Nevada.

At June 30, 2017 and 2016, \$2,582 and \$1,248 was held in a bank account or on hand as petty cash, respectively. These amounts are therefore not included in the Pooled Investments above.

**WESTERN GATEWAY RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 4 – COMPLIANCE AND ACCOUNTABILITY

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

1. Finance-Related Legal and Contractual Provisions

<u>Violation</u>	<u>Action Taken</u>
None	None

2. Deficit Fund Net Assets of Individual Funds

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None	n/a	None

NOTE 5 – FIXED ASSETS

The following is a summary of changes in fixed assets:

<u>Description</u>	<u>Balance at June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2017</u>
Land Improvements	\$ 407,222	\$ -	\$ -	\$ 407,222
Buildings	825,559	-	-	825,559
Furniture and Equipment	678,145	23,966	-	702,111
Total Capital Assets	1,910,926	23,966	-	1,934,892
Less: Accumulated Depreciation	(1,027,270)	(46,029)	-	(1,073,299)
Total Capital Assets, net of Accumulated Depreciation	\$ 883,656	\$ (22,063)	\$ -	\$ 861,593

<u>Description</u>	<u>Balance at June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2016</u>
Land Improvements	\$ 407,222	\$ -	\$ -	\$ 407,222
Buildings	820,405	5,154	-	825,559
Furniture and Equipment	677,545	600	-	678,145
Total Capital Assets	1,905,172	5,754	-	1,910,926
Less: Accumulated Depreciation	(982,731)	(44,539)	-	(1,027,270)
Total Capital Assets, net of Accumulated Depreciation	\$ 922,441	\$ (38,785)	\$ -	\$ 883,656

Depreciation expense for the fiscal years ended June 30, 2017 and 2016 was \$46,029 and \$44,539, respectively.

WESTERN GATEWAY RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 6 – RISK MANAGEMENT AND LITIGATION

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has managed these risks by obtaining coverage from commercial insurance as well as providing employee education and prevention programs. Risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported are considered.

NOTE 7 — COMMITMENTS AND CONTINGENCIES

As of June 30, 2017 and 2016 the Western Gateway Recreation & Park District did not have any pending litigation or potential non-disclosed liabilities that management believes would have a material effect on the financial statements.

NOTE 8 – SUBSEQUENT EVENTS

Events subsequent to June 30, 2017 and 2016 have been evaluated through October 15, 2018, the date at which the District's audited financial statements were available to be issued. No events requiring disclosure have occurred through this date.

REQUIRED SUPPLEMENTARY INFORMATION

**WESTERN GATEWAY RECREATION AND PARK DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND
 BALANCE - BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS)
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017**

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
Revenues:			
Property Taxes, Parcel Assessments	\$ 106,000	\$ 106,574	\$ 574
State of California Prop 40 Funds	-	-	-
Mitigation Fees	24,000	11,121	(12,879)
Charges for Current Services	55,375	57,375	2,000
Miscellaneous Income	2,000	1,677	(323)
Donation	1,500	11,342	9,842
Investment Earnings	900	1,467	567
Total Revenue	189,775	189,556	(219)
Expenditures:			
Accounting Fees	16,500	12,935	3,565
Assessment Fees	4,700	4,684	16
Consulting Fees	2,500	-	2,500
Equipment and Rentals	800	4,239	(3,439)
Insurance	4,200	2,076	2,124
Interest	-	6	(6)
Janitorial Supplies	5,500	3,747	1,753
Miscellaneous Expense	6,500	1,541	4,959
Office Supplies	1,000	952	48
Payroll Expenses	65,000	59,872	5,128
Shop Supplies	1,500	256	1,244
Utilities	23,000	25,088	(2,088)
Capital Outlays	48,506	30,572	17,934
Total Expenses	179,706	145,968	33,738
Excess (Deficit) of Revenues over (under) Expenditures	10,069	43,588	33,519
Fund Balance:			
Beginning of the year	116,149	116,149	
End of the year	\$ 126,218	\$ 159,737	

There were no differences to reconcile the budget basis financial statements and the GAAP basis financial statements, therefore no reconciliation is shown.

**WESTERN GATEWAY RECREATION AND PARK DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND
 BALANCE - BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS)
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016**

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
Revenues:			
Property Taxes, Parcel Assessments	\$ 106,000	\$ 106,186	\$ 186
State of California Prop 40 Funds	-	-	-
Mitigation Fees	12,000	12,838	838
Charges for Current Services	45,650	44,973	(677)
Miscellaneous Income	2,000	1,921	(79)
Donation	-	1,503	1,503
Investment Earnings	750	765	15
Total Revenue	<u>166,400</u>	<u>168,186</u>	<u>1,786</u>
Expenditures:			
Accounting Fees	20,000	5,640	14,360
Assessment Fees	45,000	4,653	40,347
Equipment and Rentals	1,000	913	87
Insurance	4,000	4,115	(115)
Janitorial Supplies	5,000	4,462	538
Miscellaneous Expense	1,500	900	600
Office Supplies	1,400	1,653	(253)
Payroll Expenses	65,000	58,967	6,033
Shop Supplies	4,000	2,789	1,211
Utilities	24,000	24,720	(720)
Capital Outlays	26,000	27,276	(1,276)
Total Expenses	<u>196,900</u>	<u>136,088</u>	<u>60,812</u>
Excess (Deficit) of Revenues over (under) Expenditures	<u>(30,500)</u>	<u>32,098</u>	<u>62,598</u>
Fund Balance:			
Beginning of the year	<u>84,051</u>	<u>84,051</u>	
End of the year	<u>\$ 53,551</u>	<u>\$ 116,149</u>	

There were no differences to reconcile the budget basis financial statements and the GAAP basis financial statements, therefore no reconciliation is shown.

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To the Board of Directors of
Western Gateway Recreation and Park District
Penn Valley, California

Communication of Significant Deficiencies

In planning and performing our audit of the financial statements of the governmental activities and each major fund of Western Gateway Recreation and Park District as of and for the year ended June 30, 2017 and 2016, in accordance with auditing standards generally accepted in the United States of America, we considered Western Gateway Recreation and Park District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Western Gateway Recreation and Park District's internal control. Accordingly, we do not express an opinion on the effectiveness of Western Gateway Recreation and Park District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in internal control to be a significant deficiency:

Findings 2017-1 & 2016-1 – Reliance on Auditor for Footnote Disclosures

Condition: Management relies on the auditor to prepare for approval the footnote disclosures required for the District’s financial statements to be in compliance with generally accepted accounting standards.

Criteria: Auditing standards state that the auditor may not be part of an organization’s internal control system. Someone within the organization must be knowledgeable in generally accepted accounting standards and capable of preparing full-disclosure financial statements in conformity with generally accepted accounting principles.

Cause: The District does not employ an accountant educated or trained in generally accepted accounting principles and does not contract the external accountant to prepare financial statements in conformity with generally accepted accounting principles prior to the annual audit.

Effect: District must rely on auditor to prepare footnote disclosures.

Recommendation: We recommend that, if it becomes necessary for the District to issue financial statements to third party users prior to the annual audit, the District consider the cost benefit of contracting their accountant educated or trained in generally accepted accounting principles to compile full disclosure financial statements.

Response: Management has determined there is no cost-benefit to hiring an accountant familiar with generally accepted accounting principles, or contracting their external accountant to perform additional services, and feels that the financial statements currently provided are suitable for management and board decision-making and reliance upon the auditor for footnote disclosures is cost-effective. However, should the need arise for issuing full-disclosure financial statements to third-party users prior to the annual audit, management will consider the cost-benefit of hiring an accountant familiar with generally accepted accounting principles to compile full-disclosure financial statements.

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



Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California
October 15, 2018

P.O. Box 160
Lincoln, CA 95648
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October 15, 2018

To the Board of Directors of
Western Gateway Recreation and Park District
Penn Valley, California

Dear Ladies and Gentlemen,

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

We previously reported on the District's internal control in the preceding report dated October 15, 2018. This letter does not affect our report dated October 15, 2018, on the financial statements or internal control of Western Gateway Recreation and Park District.

During our examination, we noted the following matters that do not rise to the level of significant deficiencies but are opportunities for strengthening internal controls and improving operating efficiency.

During our review of expenditures, we noted the following:

- Several invoices were not initialed and dated to show approval prior to payment. Although it is the District's practice to review and approve invoices prior to payment, we recommend that all invoices be initialed and dated by a board member to show that this procedure was performed.
- There were some cash disbursements missing source documents, although they were of insignificant amounts. We recommend obtaining and filing supporting documentation for all expenses as soon as possible after they are incurred to reduce the opportunity for misplacement.

During our review of payroll, we noted the following:

- Some timesheets were not signed by employee or supervisor. Supervisors should always sign off on employee's timesheet. If timesheets are submitted electronically and emailed, the email should be printed and attached to show completion by employee. Otherwise, employees should physically sign the timesheet.

- Some employee's timecards did not indicate at least a 30 minute break when working over 6 hours. To ensure that the District is complying with California labor laws, we recommend instructing employees to both take and document a 30 minute break when working over 6 consecutive hours.

The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors remains involved in the financial affairs of the District to provide oversight and independent review functions.

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



Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California