

**SILVERADO-MODJESKA
RECREATION AND PARKS DISTRICT**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

for the year ended June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Silverado-Modjeska Recreation and Parks District
Silverado, California

We have audited the accompanying financial statements of the enterprise activities and the governmental activities of Silverado-Modjeska Recreation and Parks District, as of and for the year ended June 30, 2014, as listed in the table of contents, and the related notes to the financial statements.

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 and the State Controller's Minimum Audit Requirements for California Special Districts. 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the enterprise activities and the governmental activities of Silverado-Modjeska Recreation and Parks District as of June 30, 2014, and the results of its operations and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and State Regulations governing Special Districts.

Other Matters

Required Supplementary Information

The Management's Discussion and Analysis is not a required part of the financial statements but is supplemental information required by the Government Auditing Standards Board. Management has elected to omit the Management's Discussion and Analysis.

Robert W. Johnson, An Accountancy Corporation

Citrus Heights, California
November 20, 2014

SILVERADO-MODJESKA RECREATION AND PARKS DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
June 30, 2014

ASSETS	Governmental Fund		Enterprise Fund		Total
	Recreation and Parks		Child Care		
	General Fund	Adjustments	Statement of Net Position		
Cash (Note 3)	\$ 315,006	\$ -	\$ 315,006	\$ 6,396	\$ 321,402
Accounts receivable	-	-	-	2,106	2,106
Interest receivable	87	-	87	-	87
Capital assets (Note 4)	-	1,253,225	1,253,225	341,452	1,594,677
Less, accumulated depreciation	-	(290,205)	(290,205)	(273,712)	(563,917)
Interfund receivable	<u>98,898</u>	<u>-</u>	<u>98,898</u>	<u>-</u>	<u>98,898</u>
Total assets	<u>\$ 413,991</u>	<u>\$ 963,020</u>	<u>\$1,377,011</u>	<u>\$ 76,242</u>	<u>\$1,453,253</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ 3,915	\$ 3,915
Accrued payroll	-	-	-	1,986	1,986
Compensated absences	-	-	-	-	-
Interfund payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,898</u>	<u>98,898</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,799</u>	<u>104,799</u>
FUND BALANCES/NET POSITION					
Fund balances:					
Restricted	-	-	-		
Committed	-	-	-		
Unassigned	<u>413,991</u>	<u>(413,991)</u>	<u>-</u>		
Total fund balances	<u>413,991</u>	<u>(413,991)</u>	<u>-</u>		
Total liabilities and fund balances	<u>\$ 413,991</u>				
Net position:					
Net investment in capital assets		-	963,020	67,740	1,030,760
Unrestricted		<u>-</u>	<u>413,991</u>	<u>(96,297)</u>	<u>317,694</u>
Total net position		<u>\$ -</u>	<u>\$1,377,011</u>	<u>\$ (28,557)</u>	<u>\$1,348,454</u>

See notes to financial statements

SILVERADO-MODJESKA RECREATION AND PARKS DISTRICT
 STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
 for the year ended June 30, 2014

<u>Functions/Programs</u>	<u>Program Revenues</u>		
Primary government:	<u>Expenses</u>	<u>Charges for Services</u>	<u>Grants and Contributions</u>
Governmental activities:			
Recreation and parks	\$ <u>114,341</u>	\$ <u>7,099</u>	\$ <u>-</u>
Total governmental activities	<u>114,341</u>	<u>7,099</u>	<u>-</u>
Business-type activities:			
Child care	<u>131,969</u>	<u>78,685</u>	<u>-</u>
Total business-type activities	<u>131,969</u>	<u>78,685</u>	<u>-</u>
Total primary government	<u>\$ 246,310</u>	<u>\$ 85,784</u>	<u>\$ -</u>
General revenues:			
Property taxes			
Interest income			
Donations/other income			
Total general revenues			
Change in net position			
Net position – beginning			
Net position – ending			

See notes to financial statements

Net (Expense) Revenue and Changes in Net Position

Primary Government

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>\$(107,242)</u>		<u>\$(107,242)</u>
<u>(107,242)</u>		<u>(107,242)</u>
<u>-</u>	<u>\$(53,284)</u>	<u>(53,284)</u>
<u>-</u>	<u>(53,284)</u>	<u>(53,284)</u>
<u>(107,242)</u>	<u>(53,284)</u>	<u>(160,526)</u>
28,290	-	28,290
841	-	841
<u>40,414</u>	<u>17,209</u>	<u>57,623</u>
<u>69,545</u>	<u>17,209</u>	<u>86,754</u>
<u>(37,697)</u>	<u>(36,075)</u>	<u>(73,772)</u>
<u>1,414,708</u>	<u>7,518</u>	<u>1,422,226</u>
<u>\$1,377,011</u>	<u>\$(28,557)</u>	<u>\$1,348,454</u>

SILVERADO-MODJESKA RECREATION AND PARKS DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
CHILD CARE

for the year ended June 30, 2014

Operating revenues:		
Tuition and registration		\$ 73,920
Other income		<u>4,765</u>
Total operating revenues		78,685
Operating expenses:		
Salaries	\$ 66,664	
Payroll taxes	8,924	
Workers comp	7,352	
Taxes & licenses	2,124	
Office expense	4,432	
Legal & professional	11,000	
Repairs & maintenance	7,281	
Utilities	6,815	
Special department expense	5,270	
Depreciation	<u>12,107</u>	
Total operating expenses		<u>131,969</u>
Operating income (loss)		(53,284)
Non-operating revenues (expenses):		
Donations	9,608	
Fundraising, net	7,601	
Interest income	<u>-</u>	
		<u>17,209</u>
Income (loss) before contributions (carried forward)		(36,075)

See notes to financial statements

SILVERADO-MODJESKA RECREATION AND PARKS DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION, continued
CHILD CARE
for the year ended June 30, 2014

Income (loss) before contributions (brought forward)	\$(36,075)
Capital contributions	<u> -</u>
Change in net position	(36,075)
Total net position:	
Beginning	<u> 7,518</u>
Ending	<u>\$(28,557)</u>

See notes to financial statements

SILVERADO-MODJESKA RECREATION AND PARKS DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
RECREATION AND PARKS
for the year ended June 30, 2014

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Program expenditures/expenses:			
Recreation and parks services	\$ 82,804	\$ -	\$ 82,804
Capital outlay	-	-	-
Depreciation	<u>-</u>	<u>31,537</u>	<u>31,537</u>
Total program expenditures/ expenses	<u>82,804</u>	<u>31,537</u>	<u>114,341</u>
Program revenues:			
Recreation, rental and event income	<u>7,099</u>	<u>-</u>	<u>7,099</u>
General revenues:			
Property taxes	28,290	-	28,290
Interest income	841	-	841
Pass thru fees	38,384	-	38,384
Donations	-	-	-
Miscellaneous	<u>2,030</u>	<u>-</u>	<u>2,030</u>
Total general revenues	<u>69,545</u>	<u>-</u>	<u>69,545</u>
Excess (expenditures) revenue/changes in net position	(6,160)	(31,537)	(37,697)
Beginning fund balances/net position	<u>420,151</u>	<u>994,557</u>	<u>1,414,708</u>
Ending fund balances/net position	<u>\$ 413,991</u>	<u>\$ 963,020</u>	<u>\$ 1,377,011</u>

See notes to financial statements

SILVERADO-MODJESKA RECREATION AND PARKS DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES
RECREATION AND PARKS
for the year ended June 30, 2014

	<u>No Budget Provided</u>	<u>Actual</u>
Revenues:		
Property taxes		\$ 28,290
Interest income		841
Pass thru fees		38,384
Donations		-
Recreation, rental and event income		7,099
Miscellaneous		<u>2,030</u>
Total revenues		<u>76,644</u>
Expenditures:		
Director fees		2,350
Insurance		5,083
Maintenance		18,161
Memberships		1,025
Office		2,073
Legal		5,400
Audit		-
Grant management		3,200
Caretaker		13,497
Secretarial		2,830
Bookkeeping		3,475
Other professional services		5,013
Administrative		993
Telephone		3,202
Utilities		11,202
Recreation program		2,500
Event expense		2,664
Capital outlay		-
Miscellaneous		<u>136</u>
Total expenditures		<u>82,804</u>
Excess of revenues (expenditures)		<u>\$ (6,160)</u>

See notes to financial statements

SILVERADO-MODJESKA RECREATION AND PARKS DISTRICT
 STATEMENT OF CASH FLOWS
 CHILD CARE
 for the year ended June 30, 2014

Cash flows from operating activities:	
Receipts from customers	\$ 78,262
Payments to suppliers	(19,071)
Payments to employees	<u>(70,334)</u>
Net cash provided to operating activities	(11,143)
Cash flows from noncapital financing activities:	
Receipts from non-operating income	17,209
Cash flows from capital and related financing activities:	
Purchase of capital assets	-
Cash flows from investing activities:	
Interest income	<u>-</u>
Net increase in cash	6,066
Cash and cash equivalents:	
Beginning of year	<u>330</u>
End of year	<u>\$ 6,396</u>

See notes to financial statements

SILVERADO-MODJESKA RECREATION AND PARKS DISTRICT
STATEMENT OF CASH FLOWS, continued
CHILD CARE
for the year ended June 30, 2014

Reconciliation of operating income (loss) to net cash provided to operating activities:		
Operating income (loss)		\$(53,284)
Adjustment to reconcile operating income (loss) to net cash provided to operating activities:		
Depreciation	\$ 12,107	
Changes in operating assets and liabilities:		
Accounts receivable	(423)	
Accounts payable	1,027	
Compensated absences	(1,663)	
Accrued payroll	(2,007)	
Interfund payable	<u>33,100</u>	<u>42,141</u>
Net cash provided to operating activities		<u>\$(11,143)</u>

See notes to financial statements

SILVERADO-MODJESKA RECREATION AND PARKS DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. Organization:

Silverado-Modjeska Recreation and Parks District (the "District") is a California special district organized March 21, 1961 to provide park and recreation activities plus open space preservation activities within the District.

The District is governed by a Board of Directors elected by the voters of the District.

2. Summary of Significant Accounting Policies:

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing GAAP for state and local government organizations. The District's significant accounting policies are described below.

Measurement Focus and Basis of Accounting

The District reports a *General Fund* that is used to account for all financial resources except those required or designated by the Board of Directors to be accounted for in another fund.

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 at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers revenues to be available if they are collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues that are accrued include property taxes, interest income, and charges for current services. Revenues that are not accrued include permits and fines, forfeitures, and penalties, if applicable. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. General capital assets are reported as expenditures in governmental funds. Proceeds of general long-term and capital assets are reported as other financing sources.

SILVERADO-MODJESKA RECREATION AND PARKS DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies (continued):

Measurement Focus and Basis of Accounting, continued

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The two funds in these financial statements are grouped as follows:

Governmental Fund

The governmental fund is used to account for all financial resources of the recreation and parks department. This fund is also used to establish accounting control and accountability for fixed assets of the aforementioned activity.

Enterprise Fund

The enterprise fund is used to account for the child care operation that is financed and operated in a manner similar to private business enterprises. The intent of the District is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

Capital Assets

Capital assets are recorded at historical cost if purchased or constructed. Structures and equipment are depreciated using the straight-line method over their estimated useful lives.

SILVERADO-MODJESKA RECREATION AND PARKS DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies, continued:

Budgets

In accordance with the provisions of Sections 13901 through 13906 of the California Health & Safety Code and other statutory provisions, commonly known as the Budget Act, the District is required to prepare a final balanced budget for each fiscal year.

Cash

The District maintains cash balances with the Treasurer of the County of Orange in an interest-bearing pooled investment account and in checking accounts with a bank. Cash in bank accounts is covered by Federal depository insurance.

Property Taxes

The District receives property taxes from the County of Orange. Property taxes become a lien on the first day of the year they are levied. Secured property tax is levied on July 1 and due in two installments, on November 1 and February 1. They become delinquent on December 10 and April 10, respectively. Unsecured property taxes are levied on July 1, and become delinquent on August 31.

Statement of Cash Flows

All highly liquid investments with a maturity of three months or less when purchased, are considered to be cash equivalents.

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 expenses during the reporting period. Actual results may differ from those estimates.

SILVERADO-MODJESKA RECREATION AND PARKS DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

3. Cash and Investments:

At year-end the carrying amount of the District's deposit was \$321,402 and the bank balance was \$325,091. The funds are either secured by federal depository insurance or are collateralized.

	<u>Recreation & Park</u>	<u>Child Care</u>
Petty cash	\$ -	\$ 85
Checking	63,310	5,305
Savings	-	1,006
Cash with County	<u>251,696</u>	<u>-</u>
	<u>\$ 315,006</u>	<u>\$ 6,396</u>

4. Changes in Capital Assets:

	<u>Balance 7-1-13</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 6-30-14</u>
<u>Child Care</u>				
Land	\$ -	\$ -	\$ -	\$ -
Buildings	290,015	-	-	290,015
Equipment	<u>51,437</u>	<u>-</u>	<u>-</u>	<u>51,437</u>
	<u>\$ 341,452</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 341,452</u>
<u>Recreation and Parks</u>				
Land	\$ 21,144	\$ -	\$ -	\$ 21,144
Buildings	1,205,217	-	-	1,205,217
Equipment	<u>26,864</u>	<u>-</u>	<u>-</u>	<u>26,864</u>
	<u>\$1,253,225</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,253,225</u>

SILVERADO-MODJESKA RECREATION AND PARKS DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

5. Risk of Loss:

Silverado-Modjeska Recreation and Parks District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; and injuries to employees. During the 2014 fiscal year, the District purchased certain commercial insurance coverages to provide for these risks.

6. Subsequent Events:

Management has evaluated subsequent events through November 20, 2014, the date these June 30, 2014 financial statements were available to be issued.

**SILVERADO-MODJESKA
RECREATION AND PARKS DISTRICT**

**REPORT ON ACCOUNTING CONTROLS
AND PROCEDURES**

June 30, 2014

**ROBERT
W.
JOHNSON**
An Accountancy Corporation
Certified Public Accountant

6234 BIRDCAGE STREET · CITRUS HEIGHTS, CA 95610-5949 · (916) 723-2555

November 20, 2014

To the Board of Directors
Silverado-Modjeska Recreation and Parks District
Silverado, California

We have audited the financial statements of Silverado-Modjeska Recreation and Parks District as of and for the year ended June 30, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts.

In planning and performing our audit of the financial statements of Silverado-Modjeska Recreation and Parks District as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered Silverado-Modjeska Recreation and Parks District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures but not for the purpose of expressing our 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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we have enclosed other recommendations for your consideration.

This communication is intended solely for the information and use of management and Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Robert W. Johnson, An Accountancy Corporation

Robert W. Johnson, An Accountancy Corporation

1. Operating Comparisons (total):

	June 30,		Favorable (Unfavorable)
	<u>2014</u>	<u>2013</u>	<u>Variance</u>
Revenues	\$ 172,538	\$ 431,931	\$(259,393)
Expenses	<u>246,310</u>	<u>267,036</u>	<u>20,726</u>
Net income (loss)	\$(<u>73,772</u>)	\$ <u>164,895</u>	\$(<u>238,667</u>)
Total cash	\$ <u>321,402</u>	\$ <u>268,494</u>	\$ <u>52,908</u>

Observations:

- Total revenues decreased in fiscal year 6-30-14 due to the following:
 - Pass thru fees decreased \$160,000
 - In 2013, \$86,421 of insurance proceeds were recognized
 - Operating revenue for child care is down \$17,000

2. Prior Year Recommendations:

(a) Budget:

Recommendation – prepare a budget for 2013. It is a useful tool. On an ongoing basis, compare monthly “actual” with “budget” operations.

Follow up – not done yet.

(b) Interfund Receivable/Payable:

Recommendation – if this loan has some possibility of collection, then a repayment schedule should be set up. If not, an alternative solution is to write the \$65,798 off as “support for the Children’s Center.”

Follow up – at June 30, 2014 this loan to the Children’s Center had increased to \$99,000. It may be time for the Board to seriously consider the future viability of the Children’s Center.

(c). Property List:

Recommendation – the accounting records do not provide sufficient detail of past years’ property and equipment purchases. An accurate property list safeguards assets and assists with future purchases.

Follow up – nothing done. An inventory can be made of current major items on hand – without a major expenditure of time. Accurate accounting for publicly-owned property is important. The solution may be to have a Board member take on this task.

3. Internal Financial Statements:

Observation – no indication of Board approval of monthly financial statements.

Recommendation – Board formally approve such statements. It establishes Board oversight.

4. Bank Accounts:

Observation – the accounting/operations of bank accounts (other than County accounts) are controlled by a single person.

Recommendation – have a separate responsible person (Board member) receive the bank statement directly and compare such bank statement with the accounting record of bank deposits and checks written – and sign off for having performed such function.

5. Child Care Receipts:

Observation – Currently, the child care director performs the following duties: invoices clients, collects payments and makes deposits for child care services.

Recommendation – To increase segregation of duties, the following procedures may be implemented.

- a policy to require a pre-numbered receipt be given for all cash receipts. The bookkeeper can reconcile receipt book to cash deposits.
- the bookkeeper take over the function of making the deposits.

2015-04-09

Subject: [Illegible text]

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AUDITOR-CONTROLLER
APR 09 2015

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