

**SILVERADO-MODJESKA
RECREATION AND PARKS DISTRICT**

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

for the year ended June 30, 2018

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Robert W. Johnson

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2018, 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, 2018, 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 Accountant Corporation

Citrus Heights, California
December 21, 2018

SILVERADO-MODJESKA RECREATION AND PARKS DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
June 30, 2018

ASSETS	Governmental Fund			Enterprise Fund	Total
	Recreation and Parks			Child Care	
	General Fund	Adjustments	Statement of Net Position		
Cash (Note 3)	\$ 215,786	\$ -	\$ 215,786	\$ 16,951	\$ 232,737
Accounts receivable	-	-	-	-	-
Interest receivable	525	-	525	-	525
Prepaid expenses	-	-	-	-	-
Capital assets (Note 4)	-	1,262,172	1,262,172	344,637	1,606,809
Less, accumulated depreciation	-	(419,226)	(419,226)	(319,751)	(738,977)
Interfund receivable	<u>132,246</u>	<u>-</u>	<u>132,246</u>	<u>-</u>	<u>132,246</u>
Total assets	<u>\$ 348,557</u>	<u>\$ 842,946</u>	<u>\$1,191,503</u>	<u>\$ 41,837</u>	<u>\$1,233,340</u>
LIABILITIES					
Payables & deposits	\$ 8,344	\$ -	\$ 8,344	\$ 1,656	\$ 10,000
Interfund payable	-	-	-	132,246	132,246
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>8,344</u>	<u>-</u>	<u>8,344</u>	<u>133,902</u>	<u>142,246</u>
FUND BALANCES/NET POSITION					
Fund balances:					
Restricted	-	-	-		
Committed	-	-	-		
Unassigned	<u>340,213</u>	<u>(340,213)</u>	<u>-</u>		
Total fund balances	<u>340,213</u>	<u>(340,213)</u>	<u>-</u>		
Total liabilities and fund balances	<u>\$ 348,557</u>				
Net position:					
Net investment in capital assets		842,946	842,946	24,866	867,812
Unrestricted		<u>340,213</u>	<u>340,213</u>	<u>(116,931)</u>	<u>223,282</u>
Total net position		<u>\$1,183,159</u>	<u>\$1,183,159</u>	<u>\$ (92,065)</u>	<u>\$1,091,094</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, 2018

<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>245,284</u>	\$ <u>15,755</u>	\$ <u>-</u>
Total governmental activities	<u>245,284</u>	<u>15,755</u>	<u>-</u>
Business-type activities:			
Child care	<u>226,948</u>	<u>205,720</u>	<u>-</u>
Total business-type activities	<u>226,948</u>	<u>205,720</u>	<u>-</u>
Total primary government	\$ <u>472,232</u>	\$ <u>221,475</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>
\$(229,529)		\$(229,529)
<u>(229,529)</u>		<u>(229,529)</u>
<u>-</u>	\$(21,228)	<u>(21,228)</u>
<u>-</u>	<u>(21,228)</u>	<u>(21,228)</u>
<u>(229,529)</u>	<u>(21,228)</u>	<u>(250,757)</u>
26,616	-	26,616
1,849	2	1,851
<u>85,589</u>	<u>7,241</u>	<u>92,830</u>
<u>114,054</u>	<u>7,243</u>	<u>121,297</u>
<u>(115,475)</u>	<u>(13,985)</u>	<u>(129,460)</u>
<u>1,298,634</u>	<u>(78,080)</u>	<u>1,220,554</u>
<u>\$ 1,183,159</u>	<u>\$(92,065)</u>	<u>\$1,091,094</u>

SILVERADO-MODJESKA RECREATION AND PARKS DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
CHILD CARE
for the year ended June 30, 2018

Operating revenues:		
Tuition and registration		\$ 196,430
Other income		<u>9,290</u>
Total operating revenues		205,720
Operating expenses:		
Salaries and wages	\$ 130,291	
Payroll taxes	14,088	
Workers comp	6,863	
Taxes & licenses	605	
Office and administrative	10,174	
Professional expense	8,006	
Repairs & maintenance	30,333	
Utilities	4,241	
Special department expense	10,435	
Bad debt expense	1,534	
Depreciation	<u>10,378</u>	
Total operating expenses		<u>226,948</u>
Operating income (loss)		(21,228)
Non-operating revenues (expenses):		
Donations	4,596	
Fundraising, net	2,645	
Interest income	<u>2</u>	
		<u>7,243</u>
Income (loss) before contributions (carried forward)		(13,985)

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, 2018

Income (loss)	
before contributions	
(brought forward)	\$(13,985)
Capital contributions	<u> -</u>
Change in net position	(13,985)
Total net position:	
Beginning	<u>(78,080)</u>
Ending (deficit)	<u>\$(92,065)</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, 2018

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Program expenditures/expenses:			
Recreation and parks services	\$ 212,687	\$ -	\$ 212,687
Capital outlay	-	-	-
Depreciation	<u>-</u>	<u>32,597</u>	<u>32,597</u>
Total program expenditures/ expenses	<u>212,687</u>	<u>32,597</u>	<u>245,284</u>
Program revenues:			
Recreation, rental and event income	<u>15,755</u>	<u>-</u>	<u>15,755</u>
General revenues:			
Property taxes	26,616	-	26,616
Interest income	1,849	-	1,849
Pass thru fees	70,641	-	70,641
Donations	2,440	-	2,440
Miscellaneous	<u>12,508</u>	<u>-</u>	<u>12,508</u>
Total general revenues	<u>114,054</u>	<u>-</u>	<u>114,054</u>
Excess (expenditures) revenue/changes in net position	(82,878)	(32,597)	(115,475)
Beginning fund balances/net position	<u>423,091</u>	<u>875,543</u>	<u>1,298,634</u>
Ending fund balances/net position	<u>\$ 340,213</u>	<u>\$ 842,946</u>	<u>\$ 1,183,159</u>

See notes to financial statements

SILVERADO-MODJESKA RECREATION AND PARKS DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
RECREATION AND PARKS
for the year ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Revenues:			
Property taxes	\$ 26,350	\$ 26,616	\$ 266
Interest income	1,500	1,849	349
Pass thru fees	65,000	70,641	5,641
Donations	2,280	2,440	160
Recreation, rental and event income	18,580	15,755	(2,825)
Miscellaneous	<u>-</u>	<u>12,508</u>	<u>12,508</u>
 Total revenues	 <u>113,710</u>	 <u>129,809</u>	 <u>16,099</u>
Expenditures:			
Insurance	4,980	5,424	(444)
Maintenance	23,040	145,421	(122,381)
Memberships	2,000	1,787	213
Office and postage	1,356	707	649
Legal	1,200	1,097	103
Audit	4,500	4,609	(109)
Caretaker	15,600	18,668	(3,068)
Secretarial	3,000	-	3,000
Bookkeeping	4,020	4,050	(30)
Website	960	1,617	(657)
Administrative	914	2,696	(1,782)
Telephone	3,720	3,993	(273)
Utilities	13,260	12,025	1,235
Recreation program	5,400	8,360	(2,960)
Event expense	-	-	-
Capital outlay	96,000	-	96,000
Miscellaneous	780	360	420
Special Dept.	4,000	-	4,000
Donations	<u>3,300</u>	<u>1,873</u>	<u>1,427</u>
 Total expenditures	 <u>188,030</u>	 <u>212,687</u>	 <u>(24,657)</u>
 Excess of revenues (expenditures)	 <u>\$ (74,320)</u>	 <u>\$ (82,878)</u>	 <u>\$ (8,558)</u>

See notes to financial statements

SILVERADO-MODJESKA RECREATION AND PARKS DISTRICT
STATEMENT OF CASH FLOWS
CHILD CARE
for the year ended June 30, 2018

Cash flows from operating activities:	
Receipts from customers	\$ 208,586
Payments to suppliers	(85,609)
Payments to employees	<u>(130,291)</u>
Net cash provided to operating activities	(7,314)
Cash flows from noncapital financing activities:	
Receipts from non-operating income	7,241
Cash flows from capital and related financing activities:	
Purchase of capital assets	(1,114)
Cash flows from investing activities:	
Interest income	<u>2</u>
Net decrease in cash	(1,185)
Cash and cash equivalents:	
Beginning of year	<u>18,136</u>
End of year	\$ <u>16,951</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, 2018

Reconciliation of operating income (loss) to net cash provided to operating activities:		
Operating income (loss)		\$(21,228)
Adjustment to reconcile operating income (loss) to net cash provided to operating activities:		
Depreciation	\$ 10,378	
Changes in operating assets and liabilities:		
Accounts receivable	2,866	
Accounts payable	670	
Interfund payable	-	
Deferred revenue	<u>-</u>	<u>13,914</u>
Net cash provided to operating activities		\$(<u>7,314</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

2. Summary of Significant Accounting Policies, continued:

Net Position

Net position is classified in the following categories:

Net Investment in capital assets – groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce this category.

Restricted – presents external restrictions imposed by creditors, grantors, contributors or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted – represents the net position of the District, which are not restricted or invested in capital assets net of related debt.

Fund Balance

Fund balance is classified in the following categories:

Restricted – includes fund balance amounts that are subject to externally enforceable legal restrictions or constrained for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed – includes fund balance amount that can only be used for specific purposes pursuant to constraints imposed by the formal actions of the District's Board of Directors.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed.

Unassigned – includes fund balance which has not been classified within the above mentioned categories.

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 \$232,737 and the bank balance was \$136,458. The funds are either secured by federal depository insurance or are collateralized.

	Recreation & Park	Child Care
Petty cash	\$ -	\$ -
Checking	163,370	4,249
Savings	-	12,702
Cash with County	52,416	-
	<u>\$ 215,786</u>	<u>\$ 16,951</u>

4. Changes in Capital Assets:

	Balance 7-1-17	Additions	Disposals/ Transfers	Balance 6-30-18
<u>Child Care</u>				
Land	\$ -	\$ -	\$ -	\$ -
Buildings	290,015	-	-	290,015
Equipment	53,508	1,114	-	54,622
	<u>\$ 343,523</u>	<u>\$ 1,114</u>	<u>\$ -</u>	<u>\$ 344,637</u>
 <u>Recreation and Parks</u>				
Land	\$ 21,144	\$ -	\$ -	\$ 21,144
Buildings	1,212,671	-	-	1,212,671
Equipment	28,357	-	-	28,357
	<u>\$ 1,262,172</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,262,172</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 2018 fiscal year, the District purchased certain commercial insurance coverages to provide for these risks.

6. Subsequent Events:

Management has evaluated subsequent events through December 21, 2018, the date these June 30, 2018 financial statements were available to be issued.