

SPRECKELS MEMORIAL DISTRICT
FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT
THEREON
JUNE 30, 2017

SPRECKELS MEMORIAL DISTRICT
Financial Statements
June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Spreckels Memorial District
Spreckels, California

We were engaged to audit the accompanying financial statements of the Spreckels Memorial District (the District) as of and for the year ended June 30, 2017 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 assessments of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments; the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

To the Board of Directors
Spreckels Memorial District
Spreckels, California

Basis for Disclaimer of Opinion

We selected a number of disbursements for examination. Of those disbursements, we were unable to locate the supporting documentation for 5 of them. In addition, we were unable to obtain any of the supporting documentation for payroll expenses incurred, including contracts, payroll registers, paid time off reports or timesheets. In addition, we were missing some of the contracts which would have substantiated payments to service providers.

We were also missing the year-end bank reconciliations.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Other Matters

Required Supplementary Information

Management has omitted the required supplementary information, such as the management's discussion and analysis and the budgetary comparison information that accounting principles generally accepted in the United States of America require to be presents to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We do not express an opinion or provide any assurance on the omitted information because the limited procedures do not provide us with sufficient evidence to express an opinion to provide any assurance.

Fechter & Company
Certified Public Accountants



Sacramento, California
July 15, 2018

**SPRECKELS MEMORIAL DISTRICT
BALANCE SHEET and STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2017**

	2017		Statements of Net Position
	General Fund	Adjustments	
ASSETS			
Cash	\$ 317,351	\$ -	\$ 317,351
Taxes receivable	-	-	-
Prepaid expenses	662	-	662
Capital assets, net of accumulated depreciation	-	149,041	149,041
Total current assets	<u>318,013</u>	<u>149,041</u>	<u>467,054</u>
TOTAL ASSETS	<u>\$ 318,013</u>	<u>\$ 149,041</u>	<u>\$ 467,054</u>
LIABILITIES			
Accounts payable	\$ 4,281	\$ -	\$ 4,281
Payroll liabilities	62,554	-	62,554
Other liabilities	5,500	-	5,500
TOTAL LIABILITIES	<u>72,335</u>	<u>-</u>	<u>72,335</u>
FUND BALANCES/NET POSITION			
FUND BALANCES			
Designated for:			
Unassigned	245,678	(245,678)	-
Total Fund Balances	<u>245,678</u>	<u>(245,678)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 318,013</u>		<u>\$ 72,335</u>
NET POSITION			
Net investment in capital assets		149,041	149,041
Unrestricted		245,678	245,678
TOTAL NET POSITION		<u>\$ 394,719</u>	<u>\$ 394,719</u>

The accompanying notes are an integral part of these financial statements

SPRECKELS MEMORIAL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE AND STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	2017		
	General Fund	Adjustments	Statement of Activities
REVENUES			
Property taxes	\$ 175,781	\$ -	\$ 175,781
Special assessments	44,226	-	44,226
Rental income	26,935	-	26,935
Donations	200	-	200
Interest on pooled investments	2,229	-	2,229
TOTAL REVENUES	<u>249,371</u>	<u>-</u>	<u>249,371</u>
Salaries and employee benefits	64,704	-	64,704
General and administration expenses	22,798	-	22,798
Utilities	31,215	-	31,215
Maintenance and repairs	19,752	-	19,752
Insurance	4,865	-	4,865
Park expense	39,714	-	39,714
Capital outlay	-	-	-
Depreciation	-	33,435	33,435
Special event expenses	10,461	-	10,461
TOTAL EXPENDITURES	<u>193,509</u>	<u>33,435</u>	<u>226,944</u>
EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES	55,862	(33,435)	22,427
FUND BALANCE/NET POSITION, BEGINNING OF YEAR	<u>189,816</u>	<u>182,476</u>	<u>372,292</u>
FUND BALANCE/NET POSITION, END OF YEAR	<u>\$ 245,678</u>	<u>\$ 149,041</u>	<u>\$ 394,719</u>

The accompanying notes are an integral part of these financial statements

Spreckels Memorial District
Notes to Basic Financial Statements
June 30, 2017

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Spreckels Memorial District (the District) are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The District's reporting applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principal Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements, in which case, GASB prevails.

A. Reporting Entity

The Spreckels Memorial District was organized by resolution of the Board of Supervisors of Monterey County on March 17, 1947, following an election held March 11, 1947. The District is governed by the provisions of the Military and Veterans Code, commencing with Section 1170.

The function of the District is to administer the affairs of the Spreckels Veterans' Memorial Building, which the District was responsible for erecting in 1956, and perform similar duties in connection with the affairs of Spreckels Memorial Park, which was designated to its direction in 1966 and 1976.

The District is governed by a five member Board of Directors, which is the legislative body of the District and determines all questions of District policy. The District is not considered to be controlled or fiscally dependent on any other entity and, therefore, is not a component unit of another entity. The District has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by, or dependent on the District. Control is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective government board.

B. Basis of Presentation

The accompanying basic financial statements of the District include all the financial activities of the District. The District has no component units.

Basic Financial Statements - The District has chosen to present its basic statements using the reporting model for special-purpose governments engaged only in a single governmental program. This model allows the fund financial statements and the government-wide statements to be combined. The effect of internal activity between funds or groups of funds has been eliminated from these financial statements

Measurement Focus and Basis of Accounting - 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. Property taxes are recognized as revenues in the year for which they are levied.

Spreckels Memorial District
Notes to Basic Financial Statements
June 30, 2017

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

Measurement Focus and Basis of Accounting (continued) - 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 collected within the current period, or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Capital and acquisitions are reported as expenditure in governmental funds.

Ad valorem tax revenues are recorded under the susceptible to accrual concept. Rental revenue, contributions, and miscellaneous revenues are recorded as revenues when received in cash as the resulting receivables are immaterial.

C. Use of Estimates

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

D. Cash and Cash Equivalent

Cash in Bank- The District's cash is held in Rabobank bank. The Financial Accounting Standards Board defines cash equivalents as short-term, highly liquid investments that are both: (1) readily convertible to known amounts of cash; and (2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The cost of all cash equivalents of the demand deposit account approximates market value.

Cash in County Treasury- Cash accounts, which essentially operate as demand deposit accounts, and maintained by the Monterey County Treasurer's Office. Available cash balances are controlled and invested by the County Treasurer in pooled investment funds characterized as Category 1, which include investments that re insured or registered and held by an agent in the District's name as set forth by the Government Accounting Standards Board. Earnings from these funds are generally credited to the District's accounts on a quarterly basis.

The Monterey County Treasurer's policy is to invest in any security authorized by Section 53635 of the Government Code of the State of California and any other Government Code that permits investments in various securities, or participation in investment trading techniques or strategies. However, these balances are not insured or collateralized by any

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Spreckels Memorial District
Notes to Basic Financial Statements
June 30, 2017

D. Cash and Cash Equivalent (continued)

legacy. As of June 30, 2017 the market value of the County investment portfolio was not materially different from its carrying value.

E. Prepaid Expenses

Prepaid expenses are capitalized and amortized ratably over the period of the benefit.

F. Capital Assets

Capital assets (including infrastructure) of the District are recorded as historical cost, or at estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The District defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Capital assets are depreciated or amortized using the straight-line method over their estimated useful lives.

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

Property, equipment and infrastructure assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

	<u>Years</u>
Building	40
Building equipment	7-10
Furniture and fixtures	5-7
Improvements	25-40
Park playground equipment	15
Tennis court resurfacing	15

Spreckels Memorial District
Notes to Basic Financial Statements
June 30, 2017

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Fund Balances

In February 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes accounting and financial reporting standards for all governments that report governmental funds.

Under GASB 54, fund balance for governmental funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are now broken out in five categories:

- Nonspendable Fund Balance – this fund balance classification includes amounts that cannot be spent because they are either not in spendable form (i.e. – prepaid expenses), or legally, or contractually required to be maintained intact.
- Restricted Fund Balance – this fund balance classification should be reported when there are constraints placed on the use of resources externally (by creditors, grant sources, contributors, etc.), or imposed by law or enabling legislation.
- Committed Fund Balance – this fund balance classification can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision making authority (i.e. – fund balance designations passed by board resolution).
- Assigned Fund Balance – this fund balance classification refers to amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed.
- Unassigned Fund Balance – this fund balance classification is the residual classification for the general fund.

H. Property Taxes

The District receives property taxes from the County, which has been assigned the responsibility for assessment, collection, and apportionment of property taxes for all taxing jurisdictions within the County. Secured property taxes are levied on March 1 for the following fiscal year and on which date it becomes a lien on real property. Secured property taxes are due in two installments on November 1 and February 1 and are delinquent after December 10 and April 10, respectively in the secured roll. Property taxes on the unsecured roll are due on the March 1 lien date and become delinquent if unpaid by August 31. Property taxes revenues are recognized in the fiscal year they are received.

Spreckels Memorial District
Notes to Basic Financial Statements
June 30, 2017

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Fund Accounting

The accounts of the District are organized on the basis of a fund which is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue and expenditures, as appropriate. The District has only one major fund – the General Fund.

J. Restricted and Unrestricted Resources

When both restricted and unrestricted are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as needed.

K. Net Position

Net position represents total assets less liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction or improvement of those assets, excluding unspent debt proceeds. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District's net position is classified into the following categories:

Net Investment in Capital Assets - Capital assets, less outstanding principal of debt attributable to the acquisition, construction, or improvement of these assets (if any).

Restricted Net Position - describes the portion of net assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the District cannot unilaterally alter.

Unrestricted Net Position - The remainder of the District's net position is classified as unrestricted. Unrestricted financial assets may be designated by management for use for particular purposes. However, such designation is not a restriction of net financial assets and is therefore not reported in the financial statements.

Spreckels Memorial District
Notes to Basic Financial Statements
June 30, 2017

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Adjustments to Convert Fund Balances to Government Wide – 2017

The Adjustments needed to adjust the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances of the District to an accrual basis which consists of a Statement of Net Position and Statement of Activities as follows:

Reconciliation of balance sheet to statement of net position:	
Total fund balances per fund financial statements	\$ 245,678
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets not reported in the fund financial statements because they are not current financial resources but are reported in the statement of net position	
Fixed Assets, net of accumulated depreciation	149,041
Net position for governmental activities	\$ 394,719
Reconciliation of statement of revenues, expenditures and changes in fund balances to statement of activities:	
Net change in fund balances per fund financial statements	\$ 55,862
Capital outlay are reported as expenditures in the fund financial statements because they use current financial resources but the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense in the statement of activities. This is the amount by which depreciation exceeded capital outlay in the current period.	
Capital outlay	-
Depreciation expense	(33,435)
Net position for governmental activities	\$ 22,427

Spreckels Memorial District
Notes to Basic Financial Statements
June 30, 2017

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Revenues

The County administers the District's revenue. The County bills and collects revenues through benefit assessments to property tax billings. In addition, the District receives a percentage of the 1% property tax ad valorem rate. All receipts are deposited directly into the County's pooled cash fund for the District, after charging the District an administration fee.

N. Income Taxes

The District is a California local government unit which is exempt from both federal and state income taxes.

O. Budgets and Budgetary Control

Management has omitted the budgetary comparison information as it was not available to be presented.

Note 2: CASH AND CASH EQUIVALENTS

A. Cash in County Treasury

The District maintains substantially all of its cash in the Monterey County Treasury (the Treasury) as part of the common investment pool. These pooled funds are carried at cost which approximates fair value. The fair market value of the District's deposits in this pool as of June 30, 2017, as provided by the pool sponsor was \$279,187. The treasury investment pool does not have a rating provided by a nationally recognized statistical rating organization.

B. Interest Rate Risk

Interest rate risk is the risk that changes in market investment rates that will adversely affect the fair value of an investment; generally, the longer the maturity of an investment, the greater the sensitivity of its fair values to changes in market interest rates. As of June 30, 2017, the weighted average maturity of the investments contained in the Treasury investment pools was approximately 146 days.

Spreckels Memorial District
Notes to Basic Financial Statements
June 30, 2017

Note 2: CASH AND CASH EQUIVALENTS (continued)

C. Credit Risk

Generally, credit risk is the risk than an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by nationally recognized statistical rating organization. The Monterey County investment pool does not have a rating provided by a nationally recognized statistical rating organization. The County Treasurer mitigates these risks by holding a diversified portfolio of highly quality investments portfolio which comprised of U.S. Treasuries, Federal Agency Securities, governmental investment pool and other liquid funds. All of these assets have an investment grade rating. U.S. Treasuries are not specifically rated, but are considered the safest of all investments. The corporate debt is rated in the higher levels of investment grade. The remaining relates to commercial paper. All Federal Agency Securities have AA ratings or are guaranteed by the U.S. Treasury.

D. Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District has no formal policy regarding the custodial credit risk for deposits or investments. The District maintains a checking account with Rabobank and uses this account as the operating account for the District. At June 30, 2017, the District's bank balance was \$38,164 and was not exposed to custodial credit risk. The deposits at Rabobank are insured by the Federal Deposit Insurance Corporation (FDIC) up to the amount of \$250,000. The deposits are also collateralized at 110% by U.S. Treasury obligations and Municipal securities by pledging the bank's trust department not in the District's name.

Spreckels Memorial District
Notes to Basic Financial Statements
 June 30, 2017

Note 3: CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Building and land	\$ 49,341	\$ -	\$ -	\$ 49,341
Building equipment	105,123	-	-	105,123
Furniture and fixtures	30,395	-	-	30,395
Improvements	1,052,026	-	-	1,052,026
Park playground equipment	47,885	-	-	47,885
Tennis court resurfacing	34,500	-	-	34,500
Accumulated depreciation	<u>(1,136,794)</u>	<u>(33,435)</u>	-	<u>(1,170,229)</u>
TOTAL	<u>\$ 182,476</u>	<u>\$ (33,435)</u>	<u>\$ -</u>	<u>\$ 149,041</u>

Depreciation expense for the fiscal year ended June 30, 2017, was \$33,435.

Note 4: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters.

The District continues to carry commercial insurance for these risks. The commercial insurance carried by the District includes policies for general liability/property insurance and workers' compensation. Claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Note 5: SUBSEQUENT EVENTS

The District evaluated subsequent events for recognition and disclosure through July 15, 2018, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2017, which required recognition, or disclosure in such financial statements.