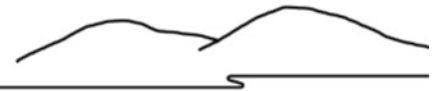


**La Selva Beach Recreation District**

**FINANCIAL STATEMENTS**

**AUDIT REPORT**

**June 30, 2024 and June 30, 2025**



**September 12, 2025**

La Selva Beach Recreation District

**INDEPENDENT AUDITOR'S REPORT**

**Opinions**

We have audited the accompanying financial statements of La Selva Beach Recreation District as of and for the years-ended June 30, 2024 and June 30, 2025, as listed in the Table of Contents. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of La Selva Beach Recreation District as of June 30, 2024 and June 30, 2025, and the respective changes in financial position, and cash flows where applicable for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Responsibilities of Management for the Financial Statements**

The District's 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud



may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Other Matters**

The District has not presented Management's Discussion and Analysis or budgetary comparison information that accounting principles generally accepted in the United States of America require 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 financial statements in an appropriate operational, economic, or historical context.

PNPCPA

**La Selva Beach Recreation District**

**Audit Report  
June 30, 2024 and June 30, 2025**

**TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditor's Report.....	1
Financial Statements	
Statement of Net Position.....	4
Statement of Activities.....	5
Balance Sheet.....	6
Statement of Revenues, Expenditures, and Changes in Fund Balance.....	7
Notes to Financial Statements.....	8

**La Selva Beach Recreation District**

**Statement of Net Position  
June 30,**

	<u>2025</u>	<u>2024</u>
<b><u>ASSETS &amp; DEFERRED OUTFLOWS</u></b>		
<u>Current Assets:</u>		
Cash	\$ 329,500	\$ 236,651
Pre-paid Expenses	-	-
Accounts Receivable	-	-
Total Current Assets	<u>329,500</u>	<u>236,651</u>
<u>Fixed Assets:</u>		
CIP	-	777,565
Land	23,388	23,388
Buildings and Improvements	1,035,472	257,907
Equipment	23,350	23,350
Less: Accumulated Depreciation	<u>(307,176)</u>	<u>(281,257)</u>
Total Fixed Assets	<u>775,034</u>	<u>800,953</u>
Total Other Assets	<u>-</u>	<u>-</u>
<b><u>DEFERRED OUTFLOWS</u></b>		
Deferred outflows	<u>-</u>	<u>-</u>
<b><u>TOTAL DEFERRED OUTFLOWS</u></b>		
	<u>-</u>	<u>-</u>
<b><u>TOTAL ASSETS &amp; DEFERRED OUTFLOWS</u></b>		
	<u>1,104,534</u>	<u>1,037,604</u>
<b><u>LIABILITIES &amp; DEFERRED INFLOWS</u></b>		
<u>Current Liabilities:</u>		
Accounts Payable & Accrued Liabilities	16,379	8,877
Unearned revenue/Deposits from Others	<u>19,500</u>	<u>11,000</u>
Total Current Liabilities	<u>35,879</u>	<u>19,877</u>
<u>Long-Term Liabilities:</u>		
Notes Payable	<u>-</u>	<u>-</u>
Total Long-Term Liabilities	<u>-</u>	<u>-</u>
<b><u>TOTAL LIABILITIES</u></b>		
	<u>35,879</u>	<u>19,877</u>
<b><u>DEFERRED INFLOWS</u></b>		
	<u>-</u>	<u>-</u>
<b><u>TOTAL LIABILITIES AND DEFERRED INFLOWS</u></b>		
	<u>35,879</u>	<u>19,877</u>
<b><u>NET POSITION</u></b>		
Net Investment in Capital Assets	775,034	800,953
Restricted	-	-
Unrestricted	<u>293,621</u>	<u>216,775</u>
<b><u>TOTAL NET POSITION</u></b>		
	<u>\$ 1,068,655</u>	<u>\$ 1,017,728</u>

The accompanying notes are an integral part of these financial statements.

**La Selva Beach Recreation District**  
**Statement of Activities**  
**For the Year Ended June 30, 2025**

<u>Functions/Programs</u>	2025				
	<u>Expenses</u>	<u>Program Revenue</u>			<u>Total</u>
		<u>Charges for Services</u>	<u>Special Assessment</u>	<u>Capital Grants</u>	
Governmental Activities					
Parks	242,655	83,230	38,313	-	(121,112)
Depreciation	25,919	-	-	-	(25,919)
Total governmental activities	<u>268,574</u>	<u>83,230</u>	<u>38,313</u>	-	<u>(147,031)</u>
<b>General revenues:</b>					
Taxes:					
Property taxes, levied for general purposes					187,220
Unrestricted investment earnings					10,738
Miscellaneous					-
Total general revenues, special items					<u>197,958</u>
Change in net position					<u>50,927</u>
Net Position - beginning					<u>1,017,728</u>
Net Position - ending					<u>\$ 1,068,655</u>

<u>Functions/Programs</u>	2024				
	<u>Expenses</u>	<u>Program Revenue</u>			<u>Total</u>
		<u>Charges for Services</u>	<u>Special Assessment</u>	<u>Capital Grants</u>	
Governmental Activities					
Parks	155,058	69,164	38,362	158,461	110,929
Depreciation	-	-	-	-	-
Total governmental activities	<u>155,058</u>	<u>69,164</u>	<u>38,362</u>	<u>158,461</u>	<u>110,929</u>
<b>General revenues:</b>					
Taxes:					
Property taxes, levied for general purposes					173,730
Unrestricted investment earnings					11,282
Miscellaneous					7,600
Total general revenues, special items					<u>192,612</u>
Change in net position					<u>303,541</u>
Net Position - beginning					<u>829,184</u>
Prior-period adjustment					<u>(114,997)</u>
Net Position - ending					<u>\$ 1,017,728</u>

The accompanying notes are an integral part of these financial statements.

**La Selva Beach Recreation District**

**Balance Sheet  
June 30, 2025**

<b><u>ASSETS &amp; DEFERRED OUTFLOWS</u></b>	<b><u>2025</u></b>	2024
<u>Current Assets:</u>		
Cash	329,500	236,651
Prepaid Expenses	-	-
Accounts Receivable	-	-
	<hr/>	<hr/>
Total Current Assets	<u>329,500</u>	<u>236,651</u>
 <b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS</b>	 <u>329,500</u>	 <u>236,651</u>
 <u>LIABILITIES &amp; DEFERRED INFLOWS</u>		
<u>Current Liabilities:</u>		
Unearned revenue/Deposits from Others	19,500	11,000
Accounts Payable & Accrued Liabilities	16,379	8,877
	<hr/>	<hr/>
Total Current Liabilities	<u>35,879</u>	<u>19,877</u>
 <b>TOTAL LIABILITIES</b>	 <u>35,879</u>	 <u>19,877</u>
 <u>Fund Balance</u>		
Restricted	-	-
Unspendable	-	-
Unrestricted	293,621	216,774
	<hr/>	<hr/>
<b><u>TOTAL FUND BALANCE</u></b>	 <u><u>\$ 293,621</u></u>	 <u><u>\$ 216,774</u></u>

The accompanying notes are an integral part of these financial statements.

**La Selva Beach Recreation District**

**Statement of Revenues, Expenditures & Change in Fund Balance  
For the Year Ended  
June 30, 2025**

**Expenditures**

Salaries & Benefits	\$ 48,019	\$ 49,221
Capital Expenditure	-	777,565
Insurance	12,481	6,211
Services & Supplies	78,364	71,920
Repairs	80,632	23,042
Professional Fees	23,158	4,665
	<hr/>	<hr/>
Total Operating Expenditures	242,654	932,624

**Revenues**

Charges for Service	83,230	69,164
Misc. Income	-	7,600
Grants and donations	-	158,461
Special Assessment	38,313	38,362
Investment earnings	10,738	11,282
Taxes and Intergovernmental	187,220	173,730
	<hr/>	<hr/>

**TOTAL OPERATING Revenues** 319,501 458,599

**NET CHANGE IN FUND BALANCE** 76,847 (474,025)

**FUND BALANCE, BEGINNING OF YEAR** 216,774 524,539

**Prior period Adjustment** 166,260

**NET POSITION, END OF YEAR** \$ 293,621 \$ 216,774

The accompanying notes are an integral part of these financial statements.

**La Selva Beach Recreation District**  
**Notes to Financial Statements**  
**June 30, 2025**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the La Selva Beach Recreation District(the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**A. Description of the Reporting Entity**

The District was formed in September 1, 1953, under the authority of the California Public Resource Code, Section 5630, which was subsequently repealed. The District was reorganized in conformity with the Public Resources Code, Section 5780. The District was established to administer and maintain recreation facilities for the benefit of the community of La Selva Beach.

The District is a governed entity administered by a Board of Directors (Board) that acts as the authoritative and legislative body of the entity. The Board is comprised of five board members who are elected by voters living within the District's boundaries. Elections are held within the Board to appoint the President. The President's responsibilities are to preside at all meetings of the Board; be the chief officer of the District; perform all duties commonly incident to the position of presiding officer of a board, commission, or business organization; and exercise supervision over the business of the District, its officers, and its employees.

The accompanying general-purpose financial statements comply with the provisions of GASB Statement No. 14, "*The Financial Reporting Entity*," in that the financial statements include all organizations, activities, and functions that comprise the District. Component units are legally separate entities for which the District (the primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either (1) the District's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the District. Using these criteria, the District has no component units.

**B. Basis of Accounting/Masurement Focus**

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, revenues, expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

**C. Government-Wide Financial Statements**

The District Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of Governmental and Business-Type Activities for the District accompanied by a total column. These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and liabilities, including capital assets as well as

**La Selva Beach Recreation District**  
**Notes to Financial Statements**  
**June 30, 2025**

infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as operating revenues for the District are reported as charges for services.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities demonstrating the degree to which the direct expenses of a given project are offset by project revenues. Direct expenses are those that are specifically associated with a program or function and therefore, are clearly identifiable to a particular function or segment. Operating revenues include (1) charges paid by the recipients of services offered by the program and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including taxes are presented instead as non-operating revenues.

Governmental Fund – The governmental funds is used to account for all financial resources of the fire department.

*Exchange and Non-Exchange Transactions of Revenues* – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Non-exchange transactions, in which the District receives value without directly giving value in return, include taxes and donations. Revenues are recognized when susceptible to accrual, when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

*Expenses* - On an accrual basis of accounting, expenses are recognized at the time they are incurred.

**La Selva Beach Recreation District**  
**Notes to Financial Statements**  
**June 30, 2025**

E. Funds on Deposit, County

The County sponsors an investment pool that is managed by the County Treasurer for the purpose of increasing interest earnings through investment activities. Cash and investments for most County activities are included in the investment pool. Interest earned on the investment pool is distributed to the participating funds monthly using a formula based on the average daily balance of each fund

Investment Policy: California statutes authorize districts to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. The District does not have an investment policy that addresses its interest rate risk, credit risk, and concentration of credit risk.

Investment in the County of Santa Cruz's Investment Pool: The District maintains its cash in County of Santa Cruz's cash and investment pool which is managed by the Santa Cruz County Treasurer. The District's cash balances invested in the Santa Cruz County Treasurer's cash and investment pool are stated at amortized cost, which approximates fair value. Santa Cruz County does not invest in any derivative financial products. The Santa Cruz County Treasury Investment Oversight Committee (Committee) has oversight responsibility for Santa Cruz County's cash and investment pool. The value of pool shares in Santa Cruz County that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the District's position in the pool.

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Credit Risk: Generally, credit risk is the risk that 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 issued by a nationally recognized statistical rating organization. The County's investment pool does not have a rating provided by a nationally recognized statistical rating organization.

Custodial Risk: Custodial risk is the risk that the government will not be able to recover its deposits or the value of its investments that are in the possession of an outside party. Custodial credit risk does not apply to a local government's indirect deposits or investment in securities through the use of government investment pools (such as the County's investment pool).

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its 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 (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that financial institution secure deposits made by state or local

**La Selva Beach Recreation District**  
**Notes to Financial Statements**  
**June 30, 2025**

governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

F. Accounts Receivable

Accounts receivable are recorded at their gross value, where appropriate are reduced by the portion that is considered uncollectable.

G. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods are recorded as prepaid items.

H. Fixed Assets

Capital assets, which include property, plant, and equipment, infrastructure assets and intangible are reported in the applicable governmental -type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of one year. Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Donated or contributed capital assets are recorded at their estimated fair value on the date received. The current capitalization threshold is \$5,000 for an individual item.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

I. Accounts Payable

On an accrual basis, expenses are recognized in the fiscal year in which the goods or services are received. Payables are liabilities of the District based upon current year charges for goods or services received but not paid in the current year.

J. Property Taxes

The County of Santa Cruz assesses properties, bills, and collects property taxes for the District. Assessed values are determined annually by the County Assessor as of March 1, and become a lien on real property as of that date. Taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively. The County bills and collects property taxes and remits them to the District under the state authorized method of apportioning taxes whereby all local agencies, including special districts, receive for the County their respective shares of the amount of ad valorem taxes collected.

**La Selva Beach Recreation District**  
**Notes to Financial Statements**  
**June 30, 2025**

K. Net Position

The District's net position represents the difference between its assets and liabilities in the statement of net position. Net position is reported as restricted when there are legal limitations imposed on their use by their source.

L. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

M. Unearned revenue/Deposits from other

Certain receipts from customers reflect income applicable to future accounting periods are recorded as unearned revenue-deposits from others.

**NOTE 3: RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; damage to, and theft or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2025, the District contracted for liability, property, crime damage, and employee and director insurances.

**NOTE 4: USE OF RESTRICTED/UNRESTRICTED NET POSITION**

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the District's policy is to apply restricted net position first.

**NOTE 5: COMPARATIVE DATA AND RECLASSIFICATIONS**

Comparative data for the prior year have been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with current year's presentation.

**NOTE 6: CONTIGENCIES**

As of June 30, 2025, the District did not have any pending litigation or potential nondisclosed liabilities that management believes would have a material effect on the financial statements.

**NOTE 7: PRIOR-PERIOD ADJUSTMENT**

The District undertook a prior-period adjustment to reflect that insurance paid in June of each year was for the following fiscal-year and should be carried as a prepaid expense. The District also had an adjustment for grant revenues that were billed in Fiscal-year 2023 but received in 2024. Finally the District had a prior-period adjustment to account for accumulated depreciation of capital assets.

**La Selva Beach Recreation District**  
**Notes to Financial Statements**  
**June 30, 2025**

**NOTE 8: DATE OF MANAGEMENT'S REVIEW**

Subsequent events have been evaluated through **September 12, 2025**, which is the date the financial statements were available to be issued.