

**COUNTY OF SANTA CRUZ**

**REPORT ON AUDIT OF  
LA SELVA BEACH  
RECREATION DISTRICT**

**For the years ended  
June 30, 2018 and 2019**

**DRAFT**

**Prepared By:  
County of Santa Cruz  
Auditor-Controller**

**August 2022**

# TABLE OF CONTENTS

AUDITOR'S REPORT	1
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	4
Statement of Activities	5
Fund Financial Statements:	
Balance Sheet – Governmental Fund	6
Reconciliation of the Governmental Fund Balance Sheet to the Government-wide Statement of Net Position-Governmental Activities	7
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Fund	8
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-wide Statement of Activities – Governmental Activities	9
Notes to the Financial Statements	10
REQUIRED SUPPLEMENTARY INFORMATION (Other than MD&A)	
Budgetary Comparison Schedule – General Fund	21
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	23
GENERAL INFORMATION	25



# COUNTY OF SANTA CRUZ

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August 16, 2022

To the Board of Directors of the  
La Selva Beach Recreation District  
La Selva Beach, CA 95076

## AUDITOR'S REPORT

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the governmental activities and each major fund of the La Selva Beach Recreation District (the District) as of and for the years ended June 30, 2018, and 2019, 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 Responsibilities for the Financial Statements*

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

### *Auditor's Responsibilities*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit per 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 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 risks assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the entity's internal control.

La Selva Beach Recreation District  
Auditor's Report  
August 16, 2022

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

Management has not adopted a useful lives policy for capital assets. Accounting principles generally accepted in the United States of America require that a useful lives policy be established for capital assets. The amount by which the departure would affect the assets and expenses is not reasonably determinable.

In connection with our audit contained herein, certain disclosures are necessary pursuant to *Government Auditing Standards* sections 3.20 through 3.30. As required by various statutes within the California Government Code, County Auditor-Controllers are mandated to perform certain accounting, auditing, and financial reporting functions, and are statutorily obligated to maintain accounts for departments, districts, or funds that are contained within the County Treasury. These activities, in themselves, necessarily impair independence with respect to *Government Auditing Standards*. Paragraph .16 of AU-C Section 705 states, "When the auditor is not independent but is required by law or regulation to report on the financial statements, the auditor should disclaim an opinion and should specifically state that the auditor is not independent." We are not independent with respect to the District as of and for the years ended June 30, 2018, and 2019, due to statutory obligations to the District as mandated by California Government Code.

Because of our lack of independence as described in the preceding paragraph, we do not express an opinion on the District's financial statements.

***Other Matters***

**Required Supplementary Information**

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

La Selva Beach Recreation District  
Auditor's Report  
August 16, 2022

because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2022, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District.

Sincerely,

Edith Driscoll  
Auditor-Controller-Treasurer-Tax Collector

Basic Financial Statements—  
Government-wide Financial Statements

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**LA SELVA BEACH RECREATION DISTRICT**  
**Statement of Net Position**  
**June 30, 2019 and 2018**

	2019	2018
<u>Assets</u>		
Cash	\$ 307,111	\$ 288,310
Capital assets, net	304,645	304,645
Total Assets	\$ 611,756	\$ 592,955
 <u>Liabilities</u>		
Current		
Vouchers Payable	700	3,498
Accounts payable - Claims	5,145	11,810
Accounts payable - Payroll	1,491	1,490
Deposits from others	2,550	3,383
Deferred Credits	-	-
Stale dated warrants	750	750
Total Liabilities	10,636	20,931
 <u>Net Position</u>		
Net investment in capital assets	304,645	304,645
Unrestricted	296,475	267,379
Total Net Position	601,120	572,024
Total Liabilities and Net Position	\$ 611,756	\$ 592,955

*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, 2019 and 2018**

<u>Functions/Programs</u>	<u>2019</u>	<u>2018</u>
Governmental activities		
General Government	\$ (168,202)	\$ (374,834)
Total Governmental Activities	<u>(168,202)</u>	<u>(374,834)</u>
 <u>Program Revenues</u>		
Charges for Services	<u>45,722</u>	<u>42,810</u>
Subtotal Program Revenues	<u>45,722</u>	<u>42,810</u>
 <u>General Revenues</u>		
Property taxes	141,281	130,814
Interest income	5,624	3,578
Intergovernmental revenue	4,671	792
Miscellaneous revenue	-	78,934
Total General Revenues	<u>151,576</u>	<u>214,118</u>
 Total Revenues	<u>197,298</u>	<u>256,928</u>
 Change in Net Position	29,096	(117,906)
 Net Position - Beginning	<u>572,024</u>	<u>689,930</u>
 Net Position - Ending	<u>\$ 601,120</u>	<u>\$ 572,024</u>

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



Basic Financial Statements—  
Fund Financial Statement

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**LA SELVA BEACH RECREATION DISTRICT**  
**Balance Sheet - Governmental Fund**  
**June 30, 2019 and 2018**

	General Fund	
	2019	2018
<u>Assets</u>		
Cash	\$ 307,111	\$ 288,310
Total Assets	307,111	288,310
 <u>Liabilities and Fund Balance</u>		
Liabilities:		
Vouchers payable	700	3,498
Accounts payable - Claims	5,145	11,810
Accounts payable - Payroll	1,491	1,490
Deposits from others	2,550	3,383
Stale dated warrants	750	750
Total Liabilities	10,636	20,931
Fund Balances:		
Nonspendable - imprest cash	300	300
Unassigned	296,175	267,079
Total Fund Balance	296,475	267,379
 Total Liabilities and Fund Balance	\$ 307,111	\$ 288,310

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

**LA SELVA BEACH RECREATION DISTRICT**  
**Reconciliation of the Governmental Fund Balance Sheet to the**  
**Government-wide Statement of Net Position - Governmental Activities**  
**For the Year Ended June 30, 2019 and 2018**

	2019	2018
<b>Fund Balance - Total Governmental Fund</b>	\$ 296,475	\$ 267,379
<p>Amounts to be reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>	304,645	304,645
<b>Net Position of Governmental Activities</b>	<b>\$ 601,120</b>	<b>\$ 572,024</b>

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

**LA SELVA BEACH RECREATION DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Fund**  
**For the Year Ended June 30, 2019 and 2018**

	General Fund	
	2019	2018
<u>Revenues</u>		
Property taxes	\$ 141,281	\$ 130,814
Interest income	5,624	3,578
Rents and concessions	45,722	42,810
Intergovernmental revenue	4,671	792
Miscellaneous revenue	-	78,934
Total Revenues	197,298	256,928
<u>Expenditures</u>		
Salaries and benefits	39,580	38,775
Services and supplies	128,622	336,059
Total Expenditures	168,202	374,834
Excess (Deficiency) of Revenues Over (Under) Expenditures	29,096	(117,906)
Net Change in Fund Balance	29,096	(117,906)
Fund Balance - Beginning	267,379	385,285
Fund Balance - Ending	\$ 296,475	\$ 267,379

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

**LA SELVA BEACH RECREATION DISTRICT**  
**Reconciliation of the Governmental Fund Statement of Revenues,**  
**Expenditures and Changes in Fund Balances to the Government-wide**  
**Statement of Activities - Governmental Activities**  
**For the Year Ended June 30, 2019 and 2018**

	2019	2018
<b>Net Change in Fund Balance</b>	\$ 29,096	\$ (117,906)
	-	-
<b>Change in Net Position of Governmental Activities</b>	\$ 29,096	\$ (117,906)

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

Basic Financial Statements –  
Notes to the Financial Statement

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**LA SELVA BEACH RECREATION DISTRICT**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2018 and 2019**

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

**A. Reporting Entity**

The La Selva Beach Recreation District (the District) was organized on September 1, 1953, under the authority of the California Public Resource Code, Section 5630 et seq., which was subsequently repealed. The District was reorganized in conformity with the Public Resources Code, Section 5780 et seq. The District was established to administer and maintain recreation facilities for the benefit of the community of La Selva Beach, California. The District is governed by a five-member board. The District does not have any component units for which they are financially accountable.

**B. Basis of Presentation**

*Government-Wide Financial Statements*

The Statement of Net Position and Statement of Activities display information about the primary government. These statements include the financial activities of the overall government except for fiduciary activities. The District does not have fiduciary activities. Eliminations would have been made to eliminate the double counting of internal service fund activities but the District has no internal service fund activities. Governmental activities are primarily supported by property taxes.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with the District. Program revenues include contributions from other governmental agencies that are restricted to meet the operational or capital requirements of the District. Revenues that are not classified as program revenues, including investment income, are presented instead as general revenues.

When both net investments in capital assets, restricted and unrestricted are available, unrestricted resources are used only after the restricted resources are depleted.

**LA SELVA BEACH RECREATION DISTRICT**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2018 and 2019**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**B. Basis of Presentation (continued)**

*Fund Financial Statements*

Fund financial statements are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. Separate statements for each fund category would be presented if applicable. The emphasis of fund financial statements is on major governmental and enterprise funds rather than reporting funds by type. Each major fund is presented in a separate column. The internal service fund is presented in a single column in the proprietary fund financial statements. The District has no proprietary or fiduciary funds, only governmental funds. Therefore, only one statement is prepared.

*Governmental Funds*

The District reports only one governmental fund, which is the general fund. The general fund is the general operating fund of the District. It is used to account for all financial resources.

**C. Basis of Accounting and Measurement Focus**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. The basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

The government-wide, proprietary, and fiduciary financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This differs from how governmental fund financial statements are prepared. Therefore, if applicable, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between government-wide statements and the statements for governmental funds. The District has no proprietary or fiduciary funds.

The accounting objectives of the economic resources measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Fund equity is classified as net position.



**LA SELVA BEACH RECREATION DISTRICT**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2018 and 2019**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**C. Basis of Accounting and Measurement Focus (continued)**

Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred or economic assets are used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchanges and exchange-like transactions are recognized when the exchange takes place.

The governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting.

In the current financial resources measurement focus, only current financial assets and liabilities are generally included on the balance sheets. The operating statements present sources and uses of funds available for financial resources during a given period. The fund balance is used as the measure of available financial resources at the end of the period.

Under the modified accrual basis of accounting, revenues are recognized when measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means having been earned and collectible within the current period. Expenditures (including capital outlay) are recorded when the related liability is incurred.

*New Accounting Pronouncements*

The following GASB Statements have been implemented in the current financial statements:

*Government Accounting Standards Board Statement No. 75*

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and financial reporting requirements for post-employment benefits other than pensions (other post-employment benefits or OPEB).

*Government Accounting Standards Board Statement No. 81*

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, provides recognition and measurement guidance for situations in which a government is a beneficiary of an irrevocable split-interest agreement.

**LA SELVA BEACH RECREATION DISTRICT**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2018 and 2019**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**C. Basis of Accounting and Measurement Focus (continued)**

*New Accounting Pronouncements-continued*

*Government Accounting Standards Board Statement No. 83*

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset.

*Government Accounting Standards Board Statement No. 85*

GASB Statement No. 85, *Omnibus 2017*, addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits.

*Government Accounting Standards Board Statement No. 86*

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, is intended to improve consistency in accounting and financial reporting for in-substance defeasance of debt.

*Government Accounting Standards Board Statement No. 88*

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, addresses the information that is disclosed in notes to the financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities government should include when disclosing information related to debt.

*Government Accounting Standards Board Statement No. 95*

GASB Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*, is intended to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. It postponed the effective dates of certain provisions in Statements and Implementation Guides that first became effective or were scheduled to be effective for the periods beginning after June 15, 2018.

**LA SELVA BEACH RECREATION DISTRICT**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2018 and 2019**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**C. Basis of Accounting and Measurement Focus (continued)**

*Upcoming Accounting Pronouncements*

The following GASB Statements will become effective for fiscal years subsequent to June 30, 2019.

*Government Accounting Standards Board Statement No. 84*

GASB Statement No. 84, *Fiduciary Activities*, provides improved guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes. The requirements of this statement are effective for the District's fiscal year ending June 30, 2021.

*Government Accounting Standards Board Statement No. 87*

GASB Statement No. 87, *Leases*, addresses accounting and financial reporting for leases that were previously reported as operating leases by establishing a single model for lease accounting. The impact of implementation on the District's financial statements has not been fully judged. The requirements of this statement are effective for the District's fiscal year ending June 30, 2022.

*Government Accounting Standards Board Statement No. 89*

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. The requirements of this statement are effective for the District's fiscal year ending June 30, 2022.

*Government Accounting Standards Board Statement No. 90*

GASB Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statement No.14 and No.61*, is intended to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this statement are effective for the District's fiscal year ending June 30, 2021.

**LA SELVA BEACH RECREATION DISTRICT**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2018 and 2019**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**C. Basis of Accounting and Measurement Focus (continued)**

*Upcoming Accounting Pronouncements-continued*

*Government Accounting Standards Board Statement No. 91*

GASB Statement No. 91, *Conduit Debt Obligations*, is intended to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this statement are effective for the District's fiscal year ending June 30, 2023.

*Government Accounting Standards Board Statement No. 92*

GASB Statement No. 92, *Omnibus 2020*, is intended to enhance comparability in accounting and financial reporting and improve the consistency of authoritative literature by addressing practice issues that have been identified during the implementation and application of certain GASB Statements. The requirements of this statement are effective for the District's fiscal year ending June 30, 2022.

*Government Accounting Standards Board Statement No. 93*

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, addresses agreements entered by governments in which variable payments made or received depend on an Interbank Offered Rate (IBOR) – most notably the London Interbank Offered Rate (LOBOR); and other accounting and financial reporting implications that result from the replacement thereof. The requirements in paragraph 11b will take effect for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 will take effect for the District's financial statements starting with the fiscal year that ends June 30, 2022.

*Government Accounting Standards Board Statement No. 94*

GASB Statement No. 94, *Public-Private and Public Partnerships and Availability Payment Arrangements*, is intended to improve financial reporting addressing issues related to public-private and public-public partnership arrangements. The requirements of this statement will take effect for the District's financial statements starting with the fiscal year that ends June 30, 2023.

**LA SELVA BEACH RECREATION DISTRICT**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2018 and 2019**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**C. Basis of Accounting and Measurement Focus (continued)**

*Upcoming Accounting Pronouncements-continued*

*Government Accounting Standards Board Statement No. 96*

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for governments and end users. The requirements of this statement will take effect for the District's financial statements starting with the fiscal year that ends June 30, 2023.

*Government Accounting Standards Board Statement No. 97*

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, and Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*, has the objective of increasing consistency and comparability related to reporting of fiduciary component units. The requirements of this statement will take effect for the District's financial statements starting with the fiscal year that ends June 30, 2022. Portions of this statement related to GASB Statement No. 84 were effective for reporting periods beginning after December 15, 2019.

*Government Accounting Standards Board Statement No. 98*

GASB Statement No. 98, *The Annual Comprehensive Financial Report*, established the term annual comprehensive financial report and its acronym ACFR. The new term and acronym replace instances of common pronunciation and its acronym in generally accepted accounting principles for state and local government. This statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This statement's introduction of the new term is founded on a commitment to promoting inclusiveness. The requirements of this statement are effective for fiscal years ending after December 15, 2021.

**LA SELVA BEACH RECREATION DISTRICT**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2018 and 2019**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**D. Capital Assets**

Capital assets, which include land, building and improvements, improvements other than building, equipment, machinery and vehicles, are reported in the Government-Wide Financial Statements. District policy has set the capitalization threshold for reporting capital assets at \$5,000 (equipment, machinery, and vehicles with a useful life over five (5) years) and \$5,000 (improvements other than building) and all buildings and land parcels regardless of value. Capital assets are valued at historical cost or estimated historical cost if the actual historical cost was not available. Donated assets are valued at their estimated fair market value on the date donated.

Depreciation would be recorded on a straight-line basis over the estimated useful lives of the assets however; the District has not adopted a useful lives policy.

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

The Governmental Fund Financial Statements do not present capital assets. Consequently, capital assets are shown as a reconciling item in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.

**E. Property Taxes**

Assessed values are determined annually by the County Assessor as of January 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 from the County their respective shares of ad valorem taxes collected. The District receives taxes from Santa Cruz County.

**LA SELVA BEACH RECREATION DISTRICT**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2018 and 2019**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**F. Net Position and Fund Balances**

**Government-Wide Financial Statements** – In the Government-Wide Financial Statements, net position is classified in the following:

*Net Investment in Capital Assets* – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

*Restricted Net Position* – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

*Unrestricted Net Position* – This amount is all net position that does not meet the definition of “net investment in capital assets” or “restricted net position.”

**Fund Financial Statements** – In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

*Nonspendable fund balance* – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

*Restricted fund balance* – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed fund balance* – amounts that can only be used for specific purposes determined by formal action of the District’s highest level of decision-making authority (the Board of Directors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

*Assigned fund balance* – amounts that are constrained by the District's intent to be used for specific purposes. The intent can be established at either the highest level of decision-making or by a body or an official designated for that purpose.

*Unassigned fund balance* – the residual classification for the District’s General Fund that includes amounts not contained in the other classifications.

**LA SELVA BEACH RECREATION DISTRICT**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2018 and 2019**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**F. Net Position and Fund Balances (continued)**

The Board of Directors establishes, modifies, or rescinds fund balance commitments and assignments by the passage of an ordinance or resolution.

The District has no policy regarding whether to first spend a restricted fund balance when both restricted and unrestricted resources are available for use. The District also has no policy regarding whether to first reduce committed amounts, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred when amounts in any of the unrestricted classifications of fund balance could be used. The District considers all fund balances to be unrestricted.

**NOTE 2. POOLED CASH AND INVESTMENTS**

Cash balances of the District's funds are deposited with the County of Santa Cruz where the available balances beyond immediate needs are invested in various securities by the County Treasurer. Pooled balances are restricted to legally stipulated investments consistent with state statutes and the County's Investment Policy. Per GASB Statement No. 31, the County calculated the fair value of all investments included in the pooled investments based on quoted market prices. Any material unrealized gains or losses are reported along with investment income (interest). On June 30, 2018, and 2019, the unrealized gains and losses applicable to the District are considered to be immaterial and, therefore, no adjustments have been made to the financial statements.



**LA SELVA BEACH RECREATION DISTRICT**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2018 and 2019**

**NOTE 3. CAPITAL ASSETS**

The following is a summary of capital assets activity for the District for the fiscal years ended June 30, 2018 and 2019, respectively:

	Balance 6/30/18	Additions	Deletions/ Transfers	Balance 6/30/18
Capital assets, not being depreciated				
Land	\$ 23,388	\$ -	\$ -	\$ 23,388
Structures and improvements	257,907	-	-	257,907
Equipment	23,350	-	-	23,350
Total capital assets, not being depreciated	<u>304,645</u>	<u>-</u>	<u>-</u>	<u>304,645</u>
Total capital assets, net	<u>\$ 304,645</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 304,645</u>

	Balance 6/30/19	Additions	Deletions/ Transfers	Balance 6/30/19
Capital assets, not being depreciated				
Land	\$ 23,388	\$ -	\$ -	\$ 23,388
Structures and improvements	257,907	-	-	257,907
Equipment	23,350	-	-	23,350
Total capital assets, not being depreciated	<u>304,645</u>	<u>-</u>	<u>-</u>	<u>304,645</u>
Total capital assets, net	<u>\$ 304,645</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 304,645</u>

**NOTE 4. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Section 29120 of the California Government Code requires that expenditures not exceed appropriations. For the year ended June 30, 2019, after the application of adjustments necessary for preparing the financial statements in conformity with generally accepted accounting principles, expenditures exceed appropriations by \$11,622 for services and supplies.

Required Supplementary Information  
(Other than MD&A)

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**LA SELVA BEACH RECREATION DISTRICT**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Budgetary Balances, Beginning</b>	\$ 267,379	\$ 267,379	\$ 267,379	\$ -
<b>Resources (Inflows)</b>				
Property taxes	132,832	132,832	141,281	8,449
Use of money and property	49,120	49,120	51,346	2,226
Intergovernmental revenue	799	799	4,671	3,872
Miscellaneous revenue	-	-	-	-
	<u>182,751</u>	<u>182,751</u>	<u>197,298</u>	<u>14,547</u>
Amounts Available for Appropriation				
<b>Charges to Appropriations (Outflows)</b>				
Salaries and employee benefits	42,732	42,732	39,580	3,152
Services and supplies	117,000	117,000	128,622	(11,622)
Capital assets	-	-	-	-
	<u>159,732</u>	<u>159,732</u>	<u>168,202</u>	<u>(8,470)</u>
Total Charges to Appropriations				
<b>Budgetary Balances, Ending</b>	<u>\$ 290,398</u>	<u>\$ 290,398</u>	<u>\$ 296,475</u>	<u>\$ 6,077</u>

**LA SELVA BEACH RECREATION DISTRICT**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Budgetary Balances, Beginning</b>	\$ 385,285	\$ 385,285	\$ 385,285	\$ -
<b>Resources (Inflows)</b>				
Property taxes	125,045	125,045	130,814	5,769
Use of money and property	49,000	49,000	46,388	(2,612)
Intergovernmental revenue	830	830	792	(38)
Miscellaneous revenue	<u>-</u>	<u>78,432</u>	<u>78,934</u>	<u>502</u>
Amounts Available for Appropriation	<u>174,875</u>	<u>253,307</u>	<u>256,928</u>	<u>3,621</u>
<b>Charges to Appropriations (Outflows)</b>				
Salaries and employee benefits	42,732	42,732	38,775	3,957
Services and supplies	286,350	364,782	336,059	28,723
Capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Charges to Appropriations	<u>329,082</u>	<u>407,514</u>	<u>374,834</u>	<u>32,680</u>
<b>Budgetary Balances, Ending</b>	<u>\$ 231,078</u>	<u>\$ 231,078</u>	<u>\$ 267,379</u>	<u>\$ 36,301</u>

Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with  
*Government Auditing Standards*

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# COUNTY OF SANTA CRUZ

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EDITH DRISCOLL  
AUDITOR-CONTROLLER-TREASURER-TAX COLLECTOR  
701 OCEAN STREET, SUITE 100, SANTA CRUZ, CA 95060-4073  
(831) 454-2500 FAX (831) 454-2660

August 16, 2022

To the Board of Directors of the  
La Selva Beach Recreation District  
La Selva Beach, California 95076

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of La Selva Beach Recreation District (the District), as of and for the years ended June 30, 2018 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 16, 2022.

## **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances to express our opinions on the financial statements, but not to express an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in our separate letter to management dated August 16, 2022, we identified certain deficiencies in internal control over financial reporting that we consider material weaknesses and other deficiencies that we consider significant deficiencies.

**La Selva Beach Recreation District**  
**August 16, 2022**

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies regarding financial statement preparation and capital assets described in our separate letter to management dated August 16, 2022, to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies regarding the insurance requirement described in our separate letter to management dated August 16, 2022, to be significant deficiencies.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance.

This report is intended solely for the information and use of the Board of Directors and management of the District and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

Edith Driscoll  
Auditor-Controller-Treasurer-Tax Collector

## General Information

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**LA SELVA BEACH RECREATION DISTRICT**  
**General Information**  
**For the Years Ended June 30, 2018 and 2019**

Organization

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

Directors and Officials

The District shall be governed by a Board of Directors. Each member serves a four-year term, with elections staggered every two years. The following were in office on June 30, 2019:

Ashley Winn, Chair  
Jim Rhodes, Secretary  
Greg Bailey, Finance Director  
Anthony Young, Maintenance Director  
Broc Carroll, Rentals Director

Accounts and Records

The official accounting records are maintained in the office of the County Auditor-Controller. Supporting documents are maintained in The District files.

Minute Book

Minutes were recorded for meetings and contained approvals for disbursements.

Budgetary Procedures

The District prepared fiscal year budgets in accordance with applicable laws and regulations but did not attach the budget to the board meeting documentation as noted in the separate letter to management dated August 16, 2022.

**LA SELVA BEACH RECREATION DISTRICT**  
**General Information**  
**For the Years Ended June 30, 2018 and 2019**

On June 30, 2019, The District's insurance coverage was as follows:

<u>COVERAGE</u>	<u>INSURER</u>	<u>LIMITS</u>
Personal Injury and Property Damage	CAPRI	\$1,000,000 per occurrence.
Public Officials and Employee Liability	CAPRI	\$1,000,000 general aggregate limit.
All Risk Property Coverage	CAPRI	\$25,000,000 per occurrence.
Excess Insurance Coverage	CSAC	\$2,000,000
	CSAC	Difference Between \$2,000,000 and applicable member and pooled layers of coverage.
Election Coverage	County of Santa Cruz	\$1,000,000