CV STARR COMMUNITY AND AQUATIC CENTER

BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

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CV Starr Community and Aquatic Center
Basic Financial Statements
For the year ended June 30, 2017

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JJACPA, Inc.

A Professional Accounting Services Corp.

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
of the City of Fort Bragg
Fort Bragg, California

Report on the Financial Statements

We have audited the accompanying financial statements of the CV Starr Community and Aquatic Center (Center) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Center'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 an opinion 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 *Governmental 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 risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Center as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Management has omitted management's 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 who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2017 on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

JJACPA, Inc.

December 29, 2017

JJACPA, Inc.
Dublin, CA

BASIC FINANCIAL STATEMENTS

CV Starr Community Center

Statement of Net Position

June 30, 2017

(with comparative balances for June 30, 2016)

		2017		2016
ASSETS				
Current assets:				
Cash equivalents and investments	$	78,361	$	64,567
Accounts receivable		-		27,381
Due from MCRPD		5,742		14,618
Inventory		720		446
Total current assets		84,823		107,012
Non-current assets:				
Property, plant and equipment:				
Depreciable (net of accumulated depreciation)		6,328		8,438
Net property, plant and equipment		6,328		8,438
Total non-current assets		6,328		8,438
Total assets	$	91,151	$	115,450
LIABILITIES AND NET POSITION				
Current liabilities:				
Accounts payable		137,272	$	103,425
Accrued payroll and benefits		39,907		16,370
Gift certificates payable		2,463		3,349
Unearned revenue		14,259		13,112
Compensated absences		33,116		13,780
Payable to the City of Fort Bragg		-		63,459
Total current liabilities		227,017		213,495
Net position:				
Net investment in capital assets		6,328		8,438
Unrestricted (deficit)		(142,194)		(106,483)
Total net position		(135,866)		(98,045)
Total liabilities and net position	$	91,151	$	115,450

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

CV Starr Community Center

Statement of Revenues, Expenses, and Changes in Net Position

For the year ended June 30, 2017

(with comparative balances for the year ended June 30, 2016)

	2017	2016
OPERATING REVENUES:		
Charges for services:		
Program service charges	$ 701,665	$ 719,894
Total operating revenues	701,665	719,894
OPERATING EXPENSES:		
Aquatics	-	43
Administration	24,110	22,690
Bank Fees	11,972	12,241
Communications	1,610	2,611
County/LAFCO Fees	4,774	3,871
Domain and Internet	2,690	4,515
Dues and Memberships	5,373	5,496
Enrichment Programs	5,614	6,301
Facility Equipment	56,494	50,163
Fitness Programs	2,773	1,010
Guest Services	1,477	1,361
Honorarium	1,577	610
Insurance	25,376	30,949
IT Equipment	15,316	32,388
Laundry Rental Service	3,171	10,206
Contractual services	23,309	26,550
Licenses and Permits	3,615	3,339
Marketing	21,252	27,756
Miscellaneous	5,428	40
Office Supplies	5,787	11,031
Pool Supplies	27,343	40,144
Postage and Shipping	35	381
Printing and Duplication	5,765	607
Program Expenses	5,120	1,325
Recruitment	1,681	7,652
Rentals/Leases	9,004	9,097
Repairs and Maintenance	62,215	82,050
Salaries and benefits	952,963	878,073
Security and Alarm Monitoring	1,912	4,610
Staff Memberships	14,405	16,120
Staff Training	16,595	6,597
Supplies	30,000	46,692
Travel	6,114	2,434
Utilities	254,095	206,618
Depreciation	2,110	2,110
Total operating expenses	1,611,075	1,557,681
OPERATING INCOME (LOSS)	(909,410)	(837,787)
NON-OPERATING REVENUES (EXPENSES):		
Refunds and rebates	4,848	4,854
Merchandise sales, net	5,803	1,862
Sales tax revenues	862,568	705,000
Interest and debt service expenses	(1,630)	(1,229)
Total non-operating revenues (expenses)	871,589	710,487
Net income (loss)	(37,821)	(127,300)
NET POSITION:		
Beginning of year	(98,045)	29,255
End of year	$ (135,866)	$ (98,045)

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

CV Starr Community Center

Statement of Cash Flows

For the year ended June 30, 2017

(with comparative balances for the year ended June 30, 2016)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	$ 730,193	$ 709,739
Payments to vendors for services and supplies	(623,315)	(662,587)
Payments to employees for salaries and benefits	(910,090)	(878,701)
Net cash provided(used) by operating activities	(803,212)	(831,549)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Refunds, rebates and merchandise sales	10,651	6,716
Loans to MCRPD	8,876	(14,063)
Loan receipts from (payments to) City of Fort Bragg	(63,459)	(59,730)
Sales tax revenue received	862,568	705,000
Net cash provided by non-capital financing activities	818,636	637,923
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Interest and fees paid on long-term financing	(1,630)	(1,229)
Net cash used by capital and related financing activities	(1,630)	(1,229)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income received	-	-
Net increase(decrease) in cash	13,794	(194,855)
CASH AND INVESTMENTS:		
Beginning of year	64,567	259,422
End of year	$ 78,361	$ 64,567
PRESENTATION IN STATEMENT OF NET POSITION:		
Cash equivalents and investments	$ 78,361	$ 64,567
Total	$ 78,361	$ 64,567
CASH FLOWS FROM OPERATING ACTIVITIES:		
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ (909,410)	$ (837,787)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation and amortization	2,110	2,110
Changes in current assets and liabilities:		
Accounts receivable	27,381	(9,940)
Inventory	(274)	-
Accounts payable	33,847	15,128
Accrued payroll and benefits	23,537	(628)
Gift certificates payable	(886)	(217)
Unearned revenue	1,147	(215)
Compensated absences	19,336	-
Net cash provided(used) by operating activities	$ (803,212)	$ (831,549)

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of CV Starr Community and Aquatic Center (Center) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental enterprises classified as proprietary fund types. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. On June 15, 2015, GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier application is permitted. The District applies all GASB pronouncements to its activities. The more significant of the Center's accounting policies are described below.

A. Description of the Reporting Entity

On March 6, 2012, the voters in the City of Fort Bragg passed Measure A which enacted Ordinance No. 902-2012, authorizing the City of Fort Bragg to levy a half-cent sales tax to make funds (sales tax revenues) available for the operation and maintenance of the CV Starr Community Center, including Sigrid & Harry Spath Aquatic Facility and surrounding property. The City of Fort Bragg took title to the CV Starr Community Center in May 2012 and on May 10, 2012 entered into an agreement with the Mendocino Coast Recreation and Park District for the operation and management of the Center to provide recreational services and activities for the health and welfare of City residents and others in the Mendocino Coast region.

The Center keeps their own books and records to account for the daily operations of the Center. Each month, a transfer of sales tax revenue is made from the City of Fort Bragg’s CV Starr Center enterprise fund to the CV Starr Center’s bank account.

B. Fund Accounting Classification and Basis of Accounting

On the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position, business-like activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as Net position.

Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The acquisition and capital improvement of the physical plant facilities required to provide these goods and services are financed from existing cash resources, the issuance of bonds, and cash flow from operations.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Fund Accounting Classification and Basis of Accounting, continued

The Center's operations are funded almost entirely by the sales tax revenues and operating revenues for program service charges. Sales tax revenues are accounted for when the Center receives the transfer from the City and not necessarily when the tax is collected.

C. Cash Equivalents and Investments

For the purposes of the Statement of Net Position and Statement of Cash Flows, "cash equivalents and investments" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less.

The Center currently only invests excess cash in a non-interest earning bank account.

D. Fixed Assets

Purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized. Depreciation is provided on a straight-line basis over estimated useful lives ranging from 5 to 40 years.

E. Compensated Absences

The liability for vested vacation pay is recorded as an expense when the vacation is taken. Unused balances of vacation and sick time are accrued by employees when earned and may be subject to maximum accrual limits. Sick time accrued is paid based on the number of years of service to the employee when employment is terminated. There is no maximum accrual amount for sick time. Vacation time has a maximum accrual of 2 times the employee's annual accrual, dependent on the accrual rate of that employee, which is based on years of service. Upon termination of employment, sick time is paid out at a maximum of 50% and vacation is paid out at 100% of the accrued time available, depending on years of service. Compensatory time accrued is paid in full at the end of employment.

F. Comparative Data

Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Center's financial position and operations.

2. CASH AND INVESTMENTS

A. Cash Deposits

The California Government Code requires California banks and savings and loan associations to secure government cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral is considered to be held in the government's name.

According to California law, the market value of pledged securities with banking institutions must equal at least 110% of the government's cash deposits. California law also allows institutions to secure government deposits by pledging first trust deed mortgage notes having a value of 150% of the government's total cash deposits. The government can waive collateral requirements for cash deposits, which are fully insured up to $250,000 by the Federal Deposit Insurance Corporation.

The Center's bank balance at June 30, 2017 was $78,361.

B. Authorized Investments

The Center follows the City's investment policy for investment of available excess balances.
Under provisions of the City's Investment Policy and in accordance with California Government Code Section 5360l & 53635 (a-n), the Center/City may invest or deposit in the following types of investments:

- Local Center Bonds
- US Treasury Obligations
- US Agencies
- Time Deposits
- Negotiable Certificates of Deposit
- Bankers' Acceptances
- Commercial Paper
- Local Agency Investment Funds (LAIF) of California State Treasurer's Office (State Pool)
- State of California Obligations
- CA Local Center Obligations
- Repurchase Agreements (Repos)
- Reverse Repurchase Agreements
- Medium-Term Notes (Corporate Debt Investment Grade)
- Mutual Funds
- Money Market Funds
- Collateralized Bank Deposits

2. CASH AND INVESTMENTS, Continued

Criteria for selecting investments and the order of priority are:

- *Safety* - The safety and risk associated with an investment refers to the potential loss of principal, interest, or a combination of these amounts. The Center/City only invests in those investments that they consider very safe.

- *Liquidity* - This refers to the ability to "cash in" at any moment in time with a minimal possibility of losing some portion of principal or interest. Liquidity is an important investment quality especially when the need for unexpected funds occurs occasionally.

- *Yield* - This refers to the rate of return and is the least important of the criteria. Safe, liquid investments do not enjoy the yields of investments not having those characteristics.

C. Safekeeping

Securities purchased from broker-dealers are held in third party safekeeping by the trust department of the broker-dealer or other designated third party trust in the Center/City's name and control, whenever possible.

3. CAPITAL ASSETS

The following is a summary of changes in property, plant and equipment during the fiscal year:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2016
Leasehold improvements	$7,619	$-	$-	$7,619
Equipment	2,929	-	-	2,929
Total depreciable property, at cost	10,548	-	-	10,548
Accumulated depreciation	(2,110)	(2,110)	-	(4,220)
Total depreciable property, net	8,438	(2,110)	-	6,328
Total	$8,438	$(2,110)	$-	$6,328

These assets are being depreciated on a straight-line basis over their estimated useful lives ranging from 5 to 40 years.

4. NON-CURRENT LIABILITIES

The Center generally incurs debt to finance projects or purchase assets, which will have useful lives equal to or greater than the related debt. The Center's debt issues and transactions related to Center activities are summarized below and discussed in detail subsequently:

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017	Due Within One Year
Payable to the City of Fort Bragg	$ 63,459	$ -	$ (63,459)	$ -	$ -
Compensated absences	13,780	19,336	-	33,116	33,116
Total	$ 77,239	$ 19,336	$ (63,459)	$ 33,116	$ 33,116

Payable to the City of Fort Bragg

The City of Fort Bragg advanced the Center $244,604 for start-up costs during the fiscal year ended June 30, 2013. Quarterly payments of $15,526 are due beginning September 30, 2013, with final payment due June 30, 2017, at an interest rate of 7.25%.

5. RISK MANAGEMENT

The Center is exposed to various risks of loss related to torts and injuries to employees or guests. The Center provides liability and workers' compensation insurance through California Association for Park and Recreation Indemnity. The California Association for Park and Recreation Indemnity is a joint powers agency comprised of California special districts, known as CAPRI. CAPRI provides liability and workers compensation coverage through a self-funded arrangement which requires that the Center pay quarterly and annual premiums to CAPRI for its insurance coverage. The following coverage was provided to the Center for the fiscal year ended June 30, 2017 coverage period:

Comprehensive General Liability (including Automobile Liability Coverage) coverage with a $1,000,000 limit per occurrence for personal injury and property damage to which the coverage applies. CAPRI also purchases an excess policy from CSAC Excess Insurance Authority with limits of $24 million excess of $1million (General Liability, Automobile Liability and Public Officials and Employee Liability coverage). There is no deductible for General Liability claims.

Public Officials and Employee Liability coverage with a $25,000,000 annual aggregate limit per member agency because of a wrongful act(s) which occurs during the coverage period for which the coverage applies. For each covered claim for employment practices liability there is a $20,000 deductible payable by the member agency or other covered party which shall be applied to any payment for judgment or settlement and to payments for defense costs as they are incurred.

5. RISK MANAGEMENT, CONTINUED

Workers' Compensation Coverage with $250,000 in limits. CAPRI purchases an excess policy from CSAC-EIA with statutory limits. There is no deductible for the Workers Compensation Program.

The contributions paid by the Center for Liability and Workers' Compensation coverages for the fiscal years ended June 30, 2017 and June 30 2015, was $32,947 and $19,688, respectively.

During the past three fiscal years, none of the above programs of protection have had settlements or judgments that exceed pooled or insured coverage for the Center. There have not been significant reductions in pooled or insured coverage from coverage in the prior year for the Center.

JJACPA, Inc.
A Professional Accounting Services Corp.

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*

To the Honorable Mayor and City Council
of the City of Fort Bragg
Fort Bragg, California

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 accompanying financial statements of the CV Starr Community and Aquatic Center (Center), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated December 29, 2017.

Internal Control Over Financial Reporting

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

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 Center's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Center'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*.

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 Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

JJACPA, Inc.

December 29, 2017

JJACPA, Inc.
Dublin, CA