

MENDOCINO COAST RECREATION AND
PARK DISTRICT ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020



Prepared by:

Moneque Wooden
District Administrator

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**Mendocino Coast Recreation and Park District
Basic Financial Statements
For the year ended June 30, 2020**

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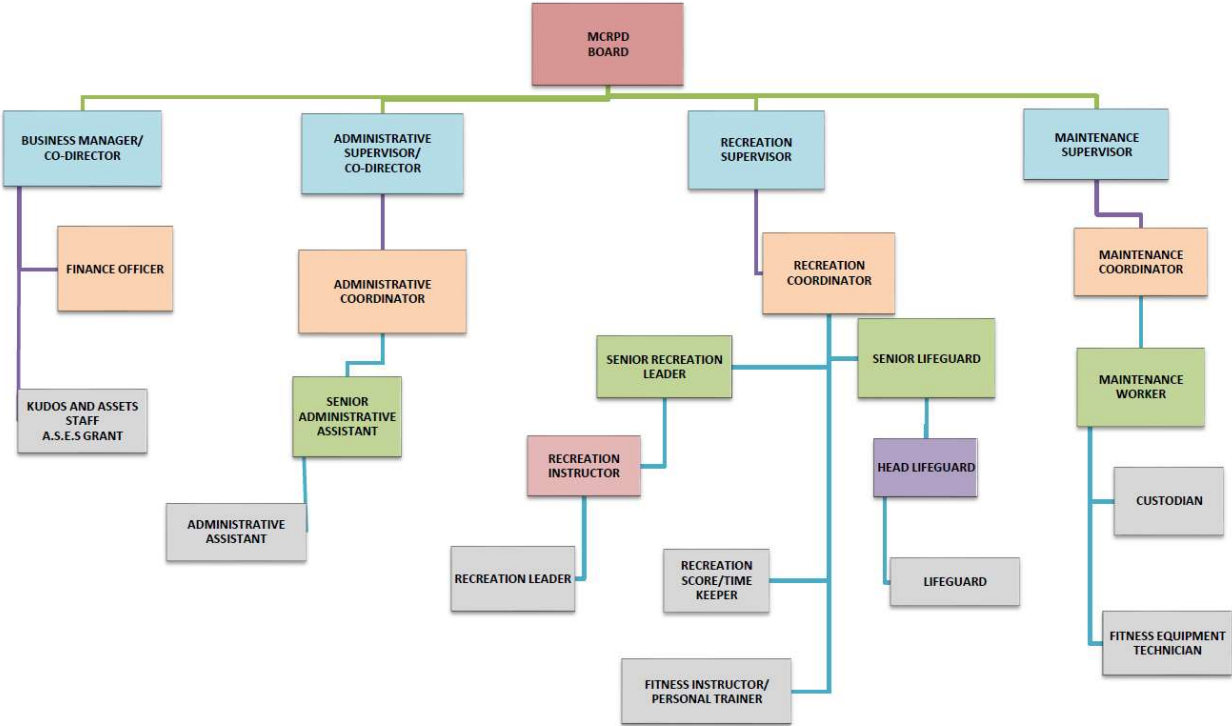
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**Mendocino Coast Recreation and Park District
 Basic Financial Statements
 For the year ended June 30, 2020**

Organization Chart

MCRPD Staff Organization Chart



Mendocino Coast Recreation and Park District
Basic Financial Statements
For the year ended June 30, 2020

List of Officials

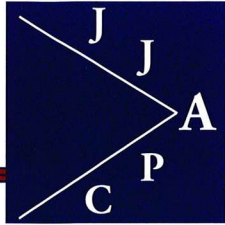
District Board

- Barbara Burkey 2022 Chair
- Leslie Bates 2022 Vice Chair
- Bob Bushansky 2022
- Angela Dominguez 2024
- John Huff 2024

District Officials

- Moneque Wooden Co-Director
- Carly Wells Co-Director
- Sonya Shaffer Recreation Supervisor
- Anna-Kristina Rosenquist Finance Officer

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JJACPA, Inc.

A Professional Accounting Services Corp.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Mendocino Coast Recreation and Park District
Fort Bragg, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and budgetary comparison information of the Mendocino Coast Recreation and Park District (District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and budgetary comparison information of the Mendocino Coast Recreation and Park District, as of June 30, 2020, 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.

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the District will continue as a going concern. As discussed in Note 8 to the financial statements, the District is currently delinquent on a capital lease and a note payable. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 8. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America requires that management's discussion and analysis on pages 3-11 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 basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing 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 or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The introductory has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2021 on our consideration of the District'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 District's internal control over financial reporting and compliance.

May 10, 2021

JJACPA, Inc.
JJACPA, INC.

Mendocino Coast Recreation and Park District
Basic Financial Statements
For the year ended June 30, 2020

Management's Discussion and Analysis

As management for the Mendocino Coast Recreation and Park District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2020. We encourage readers to consider this document in conjunction with the Basic Financial Statements.

FINANCIAL HIGHLIGHTS

- ◆ Government-Wide – Assets, Liabilities and Net Position
 - The assets of the District exceeded its liabilities by about \$1.7 million at the end of the 2020 fiscal year. The District's total net position increased by \$98,373.
 - The District's net investment in capital assets for its governmental activities as of June 30, 2020, amount to \$1,140,125.

- ◆ Government-Wide – Revenues and Expenses
 - Overall District-wide revenues from all governmental activities increased by \$39,406, compared to the 2019 fiscal year.
 - The District wide expenditures from all governmental activities increased by \$33,728 compared to the 2019 fiscal year.

Mendocino Coast Recreation and Park District
Basic Financial Statements
For the year ended June 30, 2020

Management's Discussion and Analysis, Continued

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

This Annual Financial Report has two major parts:

- 1) **Introductory section**, which includes general information;
- 2) **Financial section**, which includes the Management's Discussion and Analysis (this part), the Basic Financial Statements, which include the Government-wide and the Fund Financial Statements along with the notes to these financial statements.

The Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of the government-wide financial statements, the fund financial statements, and the notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

The governmental activities of the District consist of community services/recreation and services and supplies.

Mendocino Coast Recreation and Park District
Basic Financial Statements
For the year ended June 30, 2020

Management's Discussion and Analysis, Continued

OVERVIEW OF THE ANNUAL FINANCIAL REPORT, Continued

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the Government-wide Financial Statements. However, unlike the Government-wide Financial Statements, Governmental Fund Financial Statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the Governmental Fund Financial Statements is narrower than that of the Government-wide Financial Statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-wide Financial Statement. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The Governmental Fund Financial Statements provide detailed information about the District's most significant funds, called major funds. The concept of major funds, and the determination of which are major funds, was established by GASB Statement No. 34 and replaces the concept of combining like funds and presenting them as one total. Instead, each major fund is presented individually, with all nonmajor funds summarized and presented only in a single column. Subordinate schedules present the detail of these nonmajor funds. Major funds present the major activities of the District for the year, and may change from year to year as a result of changes in the pattern of the District's activities.

For the fiscal year ended June 30, 2020, the District has one major fund:

GOVERNMENTAL FUNDS:

- General Fund

The District maintains one individual governmental fund, the General Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for this fund.

The District adopts an annual appropriated budget for the General fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 18-24 of this report.

Mendocino Coast Recreation and Park District
Basic Financial Statements
For the year ended June 30, 2020

Management’s Discussion and Analysis, Continued

OVERVIEW OF THE ANNUAL FINANCIAL REPORT, Continued

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 26-37 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets exceeded liabilities by \$1,777,848 as of June 30, 2020. The Summary of Net Position as of June 30, 2020, and 2019, follows:

	Summary of Net Position		
	2020	2019	
	Govern- mental Activities	Govern- mental Activities	Change
Current and other assets	\$ 670,025	\$ 486,836	\$ 183,189
Noncurrent assets	4,118,972	4,132,857	(13,885)
Total assets	4,788,997	4,619,693	169,304
Current and other liabilities	1,792,341	1,603,654	188,687
Long-term liabilities	1,218,808	1,336,564	(117,756)
Total liabilities	3,011,149	2,940,218	70,931
Net position:			
Net investment in capital assets	1,140,125	1,224,350	(84,225)
Restricted	100,000	-	100,000
Unrestricted	537,723	455,125	82,598
Total net position	\$ 1,777,848	\$ 1,679,475	\$ 98,373

Overall, total net position increased by \$98,373. The majority of the net position of the District is represented by the District's net investment in its capital assets such as land, surplus property, buildings and improvements, leasehold improvements, and equipment.

Mendocino Coast Recreation and Park District
Basic Financial Statements
For the year ended June 30, 2020

Management’s Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

The change in net position for the fiscal years ended June 30, 2020, and 2019, follows:

	Changes in Net Position	
	2020	2019
Revenues:		
Program revenues:		
Charges for services:	\$ 128,665	\$ 170,301
General revenues:		
Property taxes	310,362	306,567
Use of money and property	-	15
Intergovernmental	9	6
Donations	100,000	-
Other general revenues	12,074	34,815
Total revenues	<u>551,110</u>	<u>511,704</u>
Expenses:		
Governmental activities:		
Salaries and benefits	261,771	233,810
Programs	32,145	30,109
Sports	3,720	3,366
Marketing	1,337	3,490
Operations	82,513	131,686
Events	175	-
Other	736	-
Interest	70,340	84,004
Total expenses	<u>452,737</u>	<u>486,465</u>
Excess (Deficiency) of revenues over expenditures	<u>98,373</u>	<u>25,239</u>
Change in net position	98,373	25,239
Net position:		
Beginning of year	1,679,475	1,654,236
End of year	<u>\$ 1,777,848</u>	<u>\$ 1,679,475</u>

Revenues

The District’s total revenues for governmental activities were \$551,110 for the fiscal year ended June 30, 2020. Most the District’s key revenues are generated in FY2019-2020 are from three major sources.

1. **Charges for services** – FY2019-2020 had a decrease of \$41,636 in total cost of services from the previous fiscal year. This can be attributed to the COVID-19 pandemic halting programming in the last quarter.
2. **Property Taxes** – FY 2019-2020 Property taxes increase \$3,795 from FY2018-2019.
3. **Donations** – The District received a \$100,000 donation from a trust that is restricted to aquatics.

Mendocino Coast Recreation and Park District
Basic Financial Statements
For the year ended June 30, 2020

Management’s Discussion and Analysis, Continued

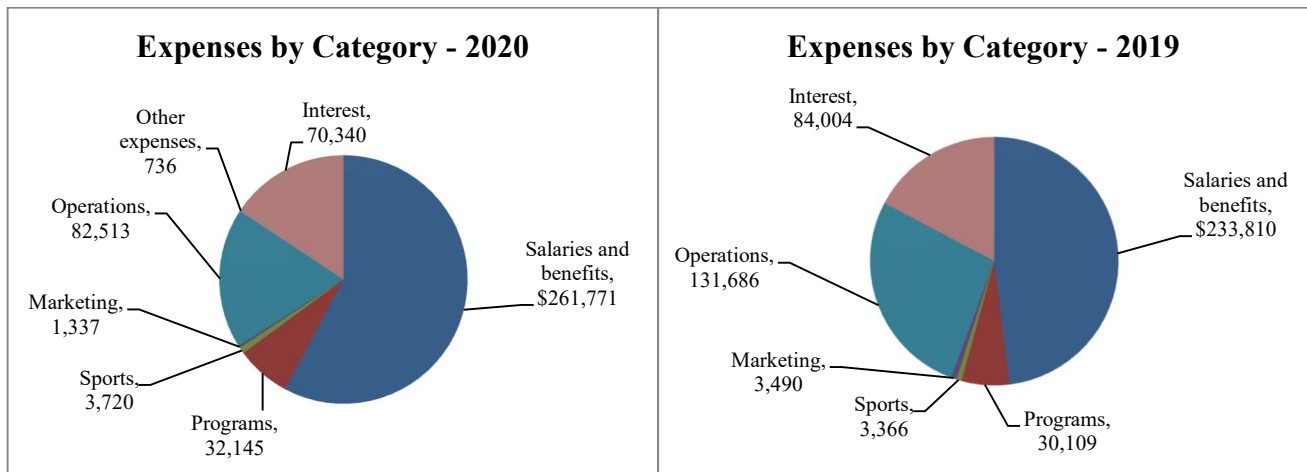
GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Expenses

For fiscal year 2020, Governmental expenses of the District for the year totaled \$486,465. Below is the breakdown of the overall expenditures:

The following table shows the cost of each of the District’s major programs and the net cost of the programs. Net cost is the total cost less fees and other direct revenue generated by the activities. The net cost reflects the financial burden that was placed on the District’s taxpayers by each of the programs. The total cost of services and the net cost of services for the fiscal years ended June 30, 2020, and 2019, are as follows:

	2020		2019	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Salaries and benefits	\$ 261,771	\$ (261,771)	\$ 233,810	\$ (233,810)
Programs	32,145	(32,145)	30,109	(30,109)
Sports	3,720	(3,720)	3,366	(3,366)
Marketing	1,337	(1,337)	3,490	(3,490)
Operations	82,513	46,152	131,686	38,615
Events	175	(175)	-	-
Other expenses	736	(736)	-	-
Interest	70,340	(70,340)	84,004	(84,004)
Total	\$ 452,737	\$ (324,072)	\$ 486,465	\$ (316,164)



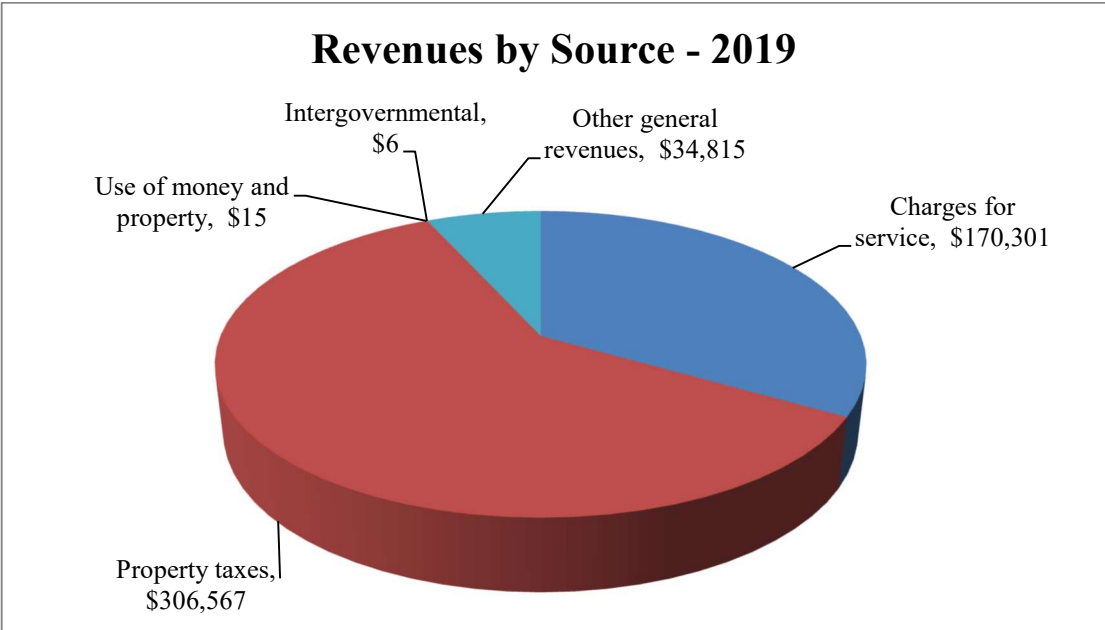
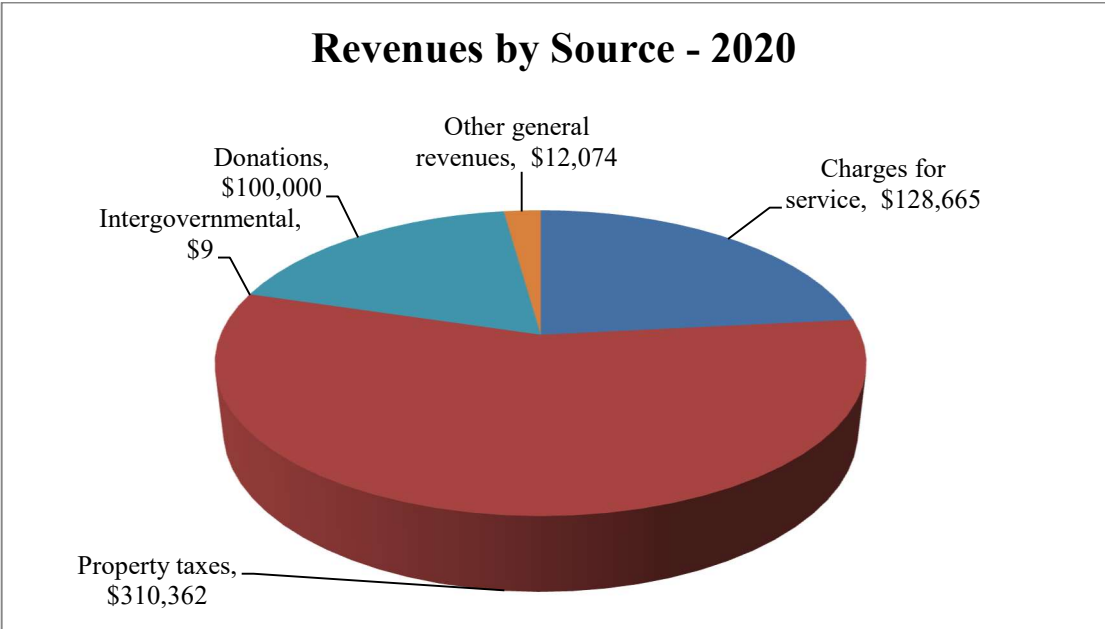
**Mendocino Coast Recreation and Park District
 Basic Financial Statements
 For the year ended June 30, 2020**

Management’s Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Revenues

Revenues by source for the fiscal years ended June 30, 2020, and 2019, are as follows:



Mendocino Coast Recreation and Park District
Basic Financial Statements
For the year ended June 30, 2020

Management’s Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Financial Analysis of the Government’s Funds

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on individual parts of the District government, reporting the District’s operations in more detail than the government-wide financial statements.

Governmental funds

The District’s governmental funds provide information on near-term inflows, outflows, and balances of spending resources. At the fiscal year ended June 30, 2020, the District’s governmental funds reported combined fund balances of \$637,723.

Capital Assets

The District’s investment in capital assets for its governmental activities as of June 30, 2020, amount to \$4,118,972. This investment in capital assets includes land, surplus property, buildings and improvements, leasehold improvements, and equipment.

	Capital Assets	
	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
Land	\$ 2,519,977	\$ 2,519,977
Surplus Property	1,500,000	1,500,000
Buildings and Improvements	117,594	117,594
Leasehold improvements	491,278	491,278
Equipment	13,320	22,334
Less: Accumulated Depreciation	(523,197)	(518,326)
Total	<u>\$ 4,118,972</u>	<u>\$ 4,132,857</u>

More detail of the capital assets and current activity can be found in the notes to the financial statements on pages 28-29 for significant accounting policies and note 3 on page 34 for other capital asset information.

General Fund Budgetary Highlights

The difference between the final budget and actual revenues differs favorably by \$81,831 due to a \$100,000 donation from private trust.

The difference between the final budget and actual expenses differs favorably by \$72,299.

**Mendocino Coast Recreation and Park District
Basic Financial Statements
For the year ended June 30, 2020**

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Economic Outlook

- Per projections provided by the County of Mendocino, property tax revenue for FY2020-2021 is estimated to be \$295,777.
- For FY2020-2021, the District projects operating revenue of \$27,170 collected for services. This is highly unfavorable compared to recent years due to the COVID-19 pandemic halting recreation programming for nearly the entire fiscal year.
- The District's December 29, 2011 bankruptcy filing is pending. West America Bank filed an appeal that was lost at the District Court and filed a further appeal with the Ninth Circuit Court of Appeals in November of 2013. That appeal is pending, but the briefing is stayed while the District and West America Bank attempt to reach a consensual resolution to the District's financial obligations. The most likely scenario for a resolution to the bankruptcy filing includes the sale of the District's surplus property, but no timeline for such a sale can be anticipated at this time.
- The District is participating in City of Fort Bragg planning activity for one capital project: the renovation of Fort Bragg Unified School District athletic fields. This project is managed by the city and has no financial impact to the District.

Requests for Information

This Annual Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the District's finances. If you have any questions about this report, or need additional financial information, contact the Mendocino Coast Recreation and Park District, Finance Department, 300 S Lincoln St., Fort Bragg, CA 95437. Our telephone number is (707) 964-9446.

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BASIC FINANCIAL STATEMENTS

Mendocino Coast Recreation and Park District

Statements of Net Position

June 30, 2020

	Governmental Activities
	2020
ASSETS	
Current assets:	
Cash and investments	\$ 616,873
Receivables:	
Accounts	53,152
Total current assets	<u>670,025</u>
Noncurrent assets:	
Land	2,519,977
Surplus property	1,500,000
Other capital assets, net	98,995
Total noncurrent assets	<u>4,118,972</u>
Total assets	<u>\$ 4,788,997</u>
LIABILITIES	
Current liabilities:	
Accounts payable	21,988
Accrued liabilities	10,314
Interest payable	805,718
Due within one year	954,321
Total current liabilities	<u>1,792,341</u>
Noncurrent liabilities:	
Long-term debt:	
Due after one year	1,218,808
Total noncurrent liabilities	<u>1,218,808</u>
Total liabilities	<u>3,011,149</u>
NET POSITION	
Net investment in capital assets	1,140,125
Restricted	100,000
Unrestricted (Deficit)	537,723
Total net position	<u>1,777,848</u>
Total liabilities and net position	<u>\$ 4,788,997</u>

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

Mendocino Coast Recreation and Park District

Statement of Activities

For the year ended June 30, 2020

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Position Governmental Activities 2020
Primary government:			
Governmental activities:			
Salaries and benefits	\$ 261,771	\$ -	\$ (261,771)
Programs	32,145	-	(32,145)
Sports	3,720	-	(3,720)
Marketing	1,337	-	(1,337)
Operations	82,513	128,665	46,152
Events	175	-	(175)
Other expenses	736	-	(736)
Interest	70,340	-	(70,340)
Total governmental activities	452,737	128,665	(324,072)
Total primary government	\$ 452,737	\$ 128,665	(324,072)
General revenues:			
Taxes:			
Property taxes			310,362
Use of money and property			-
Intergovernmental			9
Donations			100,000
Other revenues			12,074
Total general revenues			422,445
Change in net position			98,373
Net position:			
Beginning of year			1,679,475
End of year			\$ 1,777,848

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

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FUND FINANCIAL STATEMENTS

Fund	Description
General Fund	This fund accounts for all the financial resources not required to be accounted for in another fund. This fund consists of general government type activities.

Mendocino Coast Recreation and Park District

Balance Sheet

General Fund

June 30, 2020

	<u>General Fund</u>
ASSETS	
Cash and investments	\$ 616,873
Receivables:	
Accounts	53,152
Total assets	<u>\$ 670,025</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 21,988
Accrued liabilities	10,314
Total liabilities	<u>32,302</u>
Fund balances:	
Restricted	100,000
Unassigned (Deficit)	537,723
Total fund balances	<u>637,723</u>
Total liabilities and fund balances	<u>\$ 670,025</u>

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

Mendocino Coast Recreation and Park District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2020

Total fund balances - total governmental funds \$ 637,723

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. 4,118,972

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.

Interest payable	(805,718)	
Due within one year	(954,321)	
Due after one year	(1,218,808)	(2,978,847)

Net position of governmental activities \$ 1,777,848

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

Mendocino Coast Recreation and Park District
Reconciliation of Fund Basis Balance Sheet to Government-wide Statement of Net Position
Governmental Activities
June 30, 2020

	General Fund Balance Sheet	Reclassifications	Changes in GAAP	Statement of Position
ASSETS				
Current assets:				
Cash and investments	\$ 616,873	\$ -	\$ -	\$ 616,873
Receivables:				
Accounts	53,152	-	-	53,152
Intergovernmental	-	-	-	-
Total current assets	<u>670,025</u>	<u>-</u>	<u>-</u>	<u>670,025</u>
Noncurrent assets:				
Land	-	-	2,519,977	2,519,977
Surplus assets	-	-	1,500,000	1,500,000
Other capital assets, net	-	-	98,995	98,995
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>4,118,972</u>	<u>4,118,972</u>
Total assets	<u>\$ 670,025</u>	<u>\$ -</u>	<u>\$ 4,118,972</u>	<u>\$ 4,788,997</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 21,988	\$ -	\$ -	\$ 21,988
Accrued liabilities	10,314	-	-	10,314
Interest payable	-	-	805,718	805,718
Due within one year	-	-	954,321	954,321
Total current liabilities	<u>32,302</u>	<u>-</u>	<u>1,760,039</u>	<u>1,792,341</u>
Noncurrent liabilities:				
Long-term liabilities:				
Due after one year	-	-	1,218,808	1,218,808
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>1,218,808</u>	<u>1,218,808</u>
Total liabilities	<u>32,302</u>	<u>-</u>	<u>2,978,847</u>	<u>3,011,149</u>
FUND BALANCES/NET POSITION				
Fund balances:				
Restricted	100,000	(100,000)	-	-
Unassigned (Deficit)	537,723	(537,723)	-	-
Net position:				
Net investment in capital assets	-	-	1,140,125	1,140,125
Restricted	-	100,000	-	100,000
Unrestricted	-	537,723	-	537,723
Total fund balances/ net position	<u>637,723</u>	<u>-</u>	<u>1,140,125</u>	<u>1,777,848</u>
Total liabilities and net position	<u>\$ 670,025</u>	<u>\$ -</u>	<u>\$ 4,118,972</u>	<u>\$ 4,788,997</u>

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

Mendocino Coast Recreation and Park District
Statement of Revenues, Expenditures, and Changes in Fund Balances
General Fund
For the year ended June 30, 2020

	<u>General Fund</u>
REVENUES:	
Property taxes	\$ 310,362
Charges for services:	
Enrichment	70,835
Youth sports	7,473
Special Events	14,918
Adult Sports	2,695
Drop in	32,744
Intergovernmental	9
Donations	100,000
Other revenues	12,074
Total revenues	<u>551,110</u>
EXPENDITURES:	
Current:	
Salaries and benefits	261,771
Programs	32,145
Sports	3,720
Marketing	1,337
Operations	68,628
Events	175
Other expenses	736
Total expenditures	<u>368,512</u>
REVENUES OVER (UNDER)	
EXPENDITURES	<u>182,598</u>
Net change in fund balances	182,598
FUND BALANCES (DEFICIT):	
Beginning of year	<u>455,125</u>
End of year	<u>\$ 637,723</u>

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

Mendocino Coast Recreation and Park District
Reconciliation of Fund Based Statements to Government-wide Statement of Activities
For the year ended June 30, 2020

Functions/Programs	Fund Based Totals	Debt/ Compensated Absences	Depreciation	Capital Asset (Additions)/ Retirements	Government- wide Totals
Governmental activities:					
Salaries and benefits	\$ 261,771		\$ -	\$ -	\$ 261,771
Programs	32,145	-	-	-	32,145
Sports	3,720	-	-	-	3,720
Marketing	1,337	-	-	-	1,337
Operations	68,628	-	13,885	-	82,513
Events	175	-	-	-	175
Other expenses	736	-	-	-	736
Debt service:					
Interest	-	70,340	-	-	70,340
Total governmental activities	\$ 368,512	\$ 70,340	\$ 13,885	\$ -	\$ 452,737

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

Mendocino Coast Recreation and Park District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the year ended June 30, 2020

Net change in fund balances - total governmental funds \$ 182,598

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Depreciation expense	\$ (13,885)	(13,885)
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Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:

Accrued interest expense	(70,340)	(70,340)
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Change in net position of governmental activities	\$ 98,373	
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The accompanying notes are an integral part of these basic financial statements.

Mendocino Coast Recreation and Park District
Statement of Revenues, Expenditures, and Changes in Fund Balances -
 Budget and Actual - General Fund
 For the year ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance w/Final Positive (Negative)
REVENUES:				
Property taxes	300,793	\$ 300,793	\$ 310,362	\$ 9,569
Charges for services				
Enrichment	76,242	76,242	70,835	(5,407)
Youth sports	12,423	12,423	7,473	(4,950)
Special Events	21,907	21,907	14,918	(6,989)
Adult Sports	17,065	17,065	2,695	(14,370)
Drop in	11,159	11,159	32,744	21,585
Intergovernmental	-	-	9	9
Donations	-	-	100,000	100,000
Other revenues	29,690	29,690	12,074	(17,616)
Total revenues	<u>469,279</u>	<u>469,279</u>	<u>551,110</u>	<u>81,831</u>
EXPENDITURES:				
Current:				
Salaries and benefits	319,240	319,240	261,771	57,469
Programs	5,790	5,790	32,145	(26,355)
Sports	12,170	12,170	3,720	8,450
Marketing	6,795	6,795	1,337	5,458
Operations	83,741	83,741	68,628	15,113
Events	3,850	3,850	175	3,675
Other expenses	9,225	9,225	736	8,489
Total expenditures	<u>440,811</u>	<u>440,811</u>	<u>368,512</u>	<u>72,299</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>28,468</u>	<u>28,468</u>	<u>182,598</u>	<u>154,130</u>
Net change in fund balances	28,468	28,468	182,598	154,130
FUND BALANCES (DEFICIT):				
Beginning of year	455,125	455,125	455,125	-
End of year	<u>\$ 483,593</u>	<u>\$ 483,593</u>	<u>\$ 637,723</u>	<u>\$ 154,130</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

Mendocino Coast Recreation and Park District, California
Notes to Basic Financial Statements
For the year ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Mendocino Coast Recreation and Park District (the "District") was formed in May of 1973 under provisions of the State of California Public Resources Code Section 5780. The District provides and coordinates recreational facilities and activities for the Mendocino County coastal areas. The reporting entity is comprised of the District as the oversight and only component unit.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the significant accounting policies.

The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The more significant of these accounting policies are described below.

Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. As of June 30, 2020, the District only reports charges for services as program revenues. All taxes and internally dedicated resources are reported as *general revenues* rather than program revenues.

Fund Financial Statements

Fund financial statements of the reporting entity 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, which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least ten percent of the corresponding total for all funds of that category or type; and,
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least five percent of the corresponding total for all governmental funds combined.

Mendocino Coast Recreation and Park District, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Basis of Presentation, Continued

Governmental Funds

The following are the District's major governmental funds:

General Fund - This fund accounts for all the financial resources not required to be accounted for in another fund. This fund consists only of general government type activities.

Measurement Focus

Measurement focus is a term used to describe which transactions are recorded within the various financial statements.

On the government-wide Statement of Net Position and the Statement of Activities, governmental 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, which serves as an indicator of financial position.

In the fund financial statements, the “current financial resources” measurement focus is used. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this 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 the amount is collectible within the current period or soon enough thereafter to pay current liabilities. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

Mendocino Coast Recreation and Park District, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Assets, Liabilities, and Equity

Cash Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The District pools cash and investments from all funds for the purpose of increasing income through investment activities. Highly liquid money market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Market value is used as fair value for those securities for which market quotations are readily available.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include accounts and intergovernmental receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as accounts receivable and intergovernmental receivables since they are usually both measurable and available. Non-exchange transactions collectible but not available, such as property tax, are deferred in the fund financial statements in accordance with the modified accrual basis, but not deferred in the government-wide financial statements in accordance with the accrual basis.

Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. The District's experience is that all accounts receivable are collectible; therefore an allowance for doubtful accounts is unnecessary.

Inventories

The cost of other consumable materials and supplies on hand are immaterial to the financial statements, and the District has therefore chosen to report these items as expenditures/expenses at the time of purchase.

Capital Assets

Capital assets, recorded at historical cost or estimated historical cost if actual historical cost is not available, are reported in the governmental activities and business-type activities columns of the government-wide financial statements. Capital assets include land, buildings and site improvements and equipment and machinery. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000.

Mendocino Coast Recreation and Park District, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Assets, Liabilities, and Equity, Continued

Capital Assets, continued

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Depreciation is recorded in the government-wide financial statements on the straight-line basis over the useful life of the assets as follows:

Building improvements	30 – 50 years
Leasehold improvements	15 – 30 years
Equipment	5 – 7 years

Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. The long-term debt consists of compensated absences and a capital lease are presented as intangible assets and amortized on a straight-line basis over the life of the debt in the government-wide statements.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as revenue and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

The District's policies regarding vacation time and compensatory time permit employees to accumulate earned but unused leave, up to limits established by individual employee bargaining units. This debt is estimated based on historical trend analysis, the current portion of which is reported in the General Fund and the remaining balance is shown in the government-wide financial statements.

Mendocino Coast Recreation and Park District, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Assets, Liabilities, and Equity, Continued

Equity Classification

Government-Wide Statements

Equity is classified as net position and is displayed in three components:

- a. *Net investment in capital assets* – consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. *Restricted net position* – consists of net position with constraints placed on the use by external groups such as creditors, grantors, contributors, or by laws or regulations of other governments or law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* – all other net position that do not meet the definition of “restricted” or “*net investment in capital assets*.”

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is classified as restricted or unrestricted as provided in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Proprietary fund equity is classified the same as in the government-wide statements. The classifications for governmental funds are defined as follows for the District:

Unassigned Fund Balance –

- Residual net resources
- Total fund balance in the general fund in excess of restricted fund balance (surplus).
- Excess of restricted fund balance over total fund balance (deficit).

Mendocino Coast Recreation and Park District, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenues, Expenditures, and Expenses

Property Tax

Under California law, property taxes are assessed and collected by the counties up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to the cities in accordance with statutory regulations.

The District receives property taxes from the County of Mendocino, which has been assigned the responsibility for assessment, collections, and apportionment of property taxes for all taxing jurisdictions within the County. The secured property taxes are assessed on July 1 and the lien date is January 1. Secured property taxes are due in two installments on November 1 and February 1 and are delinquent after December 10 and April 10, respectively, for the secured roll. Based on a policy by the County called the Teeter Plan, 100% of the allocated taxes are transmitted by the County to the District, eliminating the need for an allowance for uncollectible. The County, in return, receives all penalties and interest. Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent if unpaid by August 31. Property tax revenues are recognized in the fiscal year they are received.

On February 29, 2012 the District and the City of Fort Bragg entered into a Property Tax Exchange Agreement where the District assigns 45% of its allocable share of property tax revenue and all revenues that the District receives from the Successor Agency to the Fort Bragg Redevelopment Agency.

Stewardship, Compliance, and Accountability

It is the District's policy to adopt annual budgets. The District Board may amend the budget by motion during the fiscal year. The District Administrator is authorized to transfer budgeted amounts within any single fund. However, any revisions that alter total expenditures of any fund must be approved by the District Board.

Expenditures may not legally exceed appropriations at the fund level. Appropriations lapse at the end of the fiscal year.

Budget information is presented for governmental fund types on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted revenue and expenditure amounts represent the original budget and all approved budget amendments.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Public meetings are conducted to obtain public comments. The District Board annually adopts the budget for the ensuing fiscal year prior to July 1st.

Mendocino Coast Recreation and Park District, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Stewardship, Compliance, and Accountability, Continued

2. Legally adopted budgets and formal budgetary integration is employed as a management control device during the year for all Governmental, Proprietary and Fiduciary Fund Types.
3. Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the District is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller, returned to the taxpayers through revised tax rates or revised fees schedules, or an excess in one year may be offset against a deficit in the following year. For the fiscal year ended June 30, 2015, based on the calculations by District Management, proceeds of taxes did not exceed the appropriations limit.
4. Budgeted appropriations for the various governmental funds become effective each July 1st.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

Comparative Data

Comparative data for the prior year has been presented in the accompanying Management, Discussion, and Analysis in order to provide an understanding of changes in the government's financial position and operations.

Mendocino Coast Recreation and Park District, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

2. CASH AND INVESTMENTS

The District had the following cash and investments at June 30, 2020:

	<u>Deposits</u>	<u>Fair Value</u>
Cash deposits - Savings Bank of Mendocino County	\$ 616,873	\$ 616,873
Total	<u>\$ 616,873</u>	<u>\$ 616,873</u>

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.

Custodial credit risk – deposits. For deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District's Investment Policy addresses custodial credit risk, which follows the Government Code.

At June 30, 2020, the balances in financial institutions were \$589,827. Of the balance in financial institutions, \$250,000 was covered by Federal Depository Insurance Corporation (FDIC) and \$339,827 was collateralized as required by State law (Government Code Section 53630).

Mendocino Coast Recreation and Park District, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Adjustments/ Deletions	Balance June 30, 2020
Land	\$ 2,519,977	\$ -	\$ -	\$ 2,519,977
Surplus Property	1,500,000	-	-	1,500,000
Buildings and improvements	117,594	-	-	117,594
Leashold improvements	491,278	-	-	491,278
Equipment	22,334	-	(9,014)	13,320
Total capital assets	<u>4,651,183</u>	<u>-</u>	<u>(9,014)</u>	<u>4,642,169</u>
Accumulated depreciation	<u>(518,326)</u>	<u>(13,885)</u>	<u>9,014</u>	<u>(523,197)</u>
Net capital assets	<u>\$ 4,132,857</u>	<u>\$ (13,885)</u>	<u>\$ -</u>	<u>\$ 4,118,972</u>

Depreciation expense for governmental activities was charged to the general services function for \$13,885.

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following at June 30, 2020:

	Governmental Activities
Accounts payable	\$ 21,988
Accrued payroll	10,314
Total	<u>\$ 32,302</u>

These amounts resulted in the following concentrations in payables:

Vendors 68% Employees 32%

Amounts do not indicate a significant concentration (greater than 25%) with any single vendor or employee.

Mendocino Coast Recreation and Park District, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

5. LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for governmental activities for the year ended June 30, 2020:

	Balance July 1, 2019	Additions	Retirements	Balance June 30, 2020	Due Within One Year
Capital Lease - WestAmerica	\$ 2,173,129	\$ -	\$ -	\$ 2,173,129	\$ 836,565
Total	<u>\$ 2,173,129</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,173,129</u>	<u>\$ 836,565</u>

Capital Lease – WestAmerica Bank

The District entered into a lease with WestAmerica Bank secured by real property to be used for the contribution of the regional park/golf course. The capital lease is payable in installments of \$91,238 including interest at 4.95% per annum through November 2028. This capital lease is currently in default.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020, are as follows:

Year Ending June 30,	Capital Lease - WestAmerica Bank	
	Principal	Interest
2021	\$ 954,321	\$ 870,438
2022	123,657	58,819
2023	129,853	52,623
2024	136,361	46,115
2025	143,194	39,282
2026-2030	685,744	78,573
Total	<u>\$ 2,173,130</u>	<u>\$ 1,145,850</u>
Due within one year	\$ 954,321	\$ 870,438
Due after one year	1,218,809	275,412
Total	<u>\$ 2,173,130</u>	<u>\$ 1,145,850</u>

Mendocino Coast Recreation and Park District, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

6. NET POSITION/ FUND BALANCES

Net Position

	Governmental Activities
Net investment in capital assets	\$ 1,140,125
Restricted:	
Aquatics	100,000
Unrestricted	537,723
Total	<u>\$ 1,777,848</u>

Fund Balance

Fund balances consisted of the following:

Major Fund:	
General Fund:	
Restricted:	
Aquatics	\$ 100,000
Unassigned	537,723
Total	<u>\$ 637,723</u>

Restricted:

Aquatics – represents amounts restricted for aquatics programs.

7. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District together with other districts in the State carry California Association For Park And Recreation Insurance (CAPRI), a public entity risk pool currently operating as a common risk management and insurance program for member districts. The District pays an annual premium to CAPRI for its general insurance coverage. Furthermore the District carries workers compensation coverage with other districts in the State through CAPRI. Membership in the California Association of Recreation and Park Districts is required when applying for CAPRI.

The Agreement for Formation provides that CAPRI will be self-sustaining through member premiums. CAPRI reinsures through commercial companies for general and automobile liability excess claims and all risk property insurance, including boiler and machinery coverage, is subject to a \$2,000 deductible occurrence payable by the District. Financial statements for CAPRI are available at the District's office for fiscal year ending June 30, 2020.

Mendocino Coast Recreation and Park District, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

8. GOING CONCERN

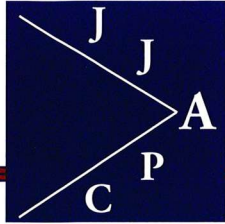
The Mendocino Coast Recreation and Park District entered leasing arrangements with Municipal Finance Corporation in April 2008. The District received "advance rental" of \$2.3 million for leasing the Municipal Finance Corporation's the proposed golf course property. The District then subleased the property back for bi-annual lease payments of \$91,238 to MFC for 20 years. The MFC assigned all of its rights under the sublease to Westamerica Bank the same day.

The District did not generate enough revenues to make the bi-annual \$91,238 payments to Westamerica Bank. As the District continued to experience budget shortfalls, it unsuccessfully tried to negotiate with Westamerica Bank. The District filed for relief under Chapter 9 on December 29, 2011. The Bank challenged the Chapter 9 filing claiming the District had not satisfied the pre-Chapter 9 filing negotiation requirement. The Bank appealed and the District Court affirmed the Bankruptcy Court in September 2013. The District Court agreed with the Bank that before filing a Chapter 9 a debtor must make a specific proposal to the creditor. The Court then went on to say, since the Bank was unwilling to respond to the District, the negotiation requirement was futile, and the Chapter 9 may proceed. The Bank appealed this decision in October 2013. This appeal has been placed on hold and the matter referred to mediation. The Appeals court has continued the mediation since December 2013.

Over the years the Ninth Circuit appeal has been pending, the Bank and District have continued to discuss potential resolutions of the problem. The Bank realizes the difficulty with the property and the fact that the District has no feasible way to pay the Bank back.

On March 1, 2021, at the request of the District and with consent of Westamerica Bank, the Chapter 9 case was dismissed without prejudice. It is now the responsibility of the District and Westamerica Bank to find resolution to the debt. Communication has since been ongoing between the Attorneys of both parties, but no resolution has been made yet.

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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***

Independent Auditor's Report

To the Board of Directors of the
Mendocino Coast Recreation and Park District
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 financial statements of the governmental activities, each major fund, and the budgetary comparison information of Mendocino Coast Recreation and Park District (District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 10, 2021.

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 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 entity'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 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

May 10, 2021

JJACPA, Inc.
JJACPA, INC.