

CLOVIS VETERANS MEMORIAL DISTRICT

REPORT ON AUDITED
FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Clovis Veterans Memorial District
Clovis, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Clovis Veterans Memorial District as of and for the year ended June 30, 2018 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 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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the State Controller's Minimum Audit Requirements for California Special Districts. 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 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Clovis Veterans Memorial District as of June 30, 2018, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's office and state regulations governing special districts.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Changes in Net Pension Liability and Schedule of Contributions, and Budgetary Comparison Schedules, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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. Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Our opinion on the basic financial statements is not affected by this missing information. We have applied certain limited procedures to the Changes in Net Pension Liability and Schedule of Contributions, and Budgetary Comparison Schedules 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2019 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 and contracts 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.

Sampson, Sampson & Patterson, LLP

Clovis, California
April 17, 2019

CLOVIS VETERANS MEMORIAL DISTRICT

STATEMENT OF FUND BALANCE SHEET AND NET POSITION

JUNE 30, 2018

	Fund Statement General Fund	Adjustments	Government- Wide Statement of Net Assets
ASSETS			
Cash and investments	\$6,680,545	\$	\$ 6,680,545
Receivables:			
Accounts	65		65
Interest	2,781	24,614	27,395
Taxes		13,351	13,351
Other assets	9,147		9,147
Land and construction in progress		2,493,628	2,493,628
Other capital assets, net of accumulated depreciation		<u>20,687,245</u>	<u>20,687,245</u>
TOTAL ASSETS	<u>6,692,538</u>	<u>23,218,838</u>	<u>29,911,376</u>
DEFERRED OUTFLOWS OF RESOURCES		<u>390,771</u>	<u>390,771</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$6,692,538</u>	<u>\$23,609,609</u>	<u>\$30,302,147</u>
LIABILITIES			
Accounts payable	\$ 292,197	\$	\$ 292,197
Payroll liabilities	35,834		35,834
Deposits payable	67,384		67,384
Long-term debt – due in more than one year		3,362,000	3,362,000
Compensated absences – long-term		18,782	18,782
Net pension liability		<u>1,187,091</u>	<u>1,187,091</u>
TOTAL LIABILITIES	<u>395,415</u>	<u>4,567,873</u>	<u>4,963,288</u>
FUND BALANCES/NET POSITION:			
DEFERRED INFLOWS OF RESOURCES		<u>128,868</u>	<u>128,868</u>
FUND BALANCES			
Committed to:			
Capital projects	1,825,000	(1,825,000)	
Restricted to:			
Capital projects	3,362,000	(3,362,000)	
Unassigned	<u>1,110,123</u>	<u>(1,110,123)</u>	
TOTAL FUND BALANCES	<u>6,297,123</u>	<u>(6,297,123)</u>	
NET POSITION			
Invested in capital assets, net of related debt		19,818,873	19,818,873
Unrestricted		<u>5,391,118</u>	<u>5,391,118</u>
TOTAL NET POSITION		<u>25,209,991</u>	<u>25,209,991</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$6,692,538</u>	<u>\$23,609,609</u>	<u>\$30,302,147</u>

See independent auditor’s report and notes to financial statements.

CLOVIS VETERANS MEMORIAL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE AND STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

	<u>Fund Statement General Fund</u>	<u>Adjustments</u>	<u>Government- Wide Statement of Net Position</u>
EXPENDITURES/EXPENSES:			
Salaries and employee benefits	\$ 1,154,465	\$ (14,725)	\$ 1,139,740
Administration	382,433		382,433
Activities	135,772		135,772
Senior services	40,000		40,000
Buildings and grounds	397,954		397,954
Grants and memorials	24,243		24,243
Capital improvements	305,629	(305,629)	
Debt service:			
Principal	108,000	(108,000)	
Interest	53,666	(6,867)	46,799
Depreciation		<u>560,267</u>	<u>560,267</u>
TOTAL EXPENDITURES/EXPENSES	<u>2,602,162</u>	<u>125,046</u>	<u>2,727,208</u>
PROGRAM REVENUES:			
Charges for services	<u>719,692</u>		<u>719,692</u>
TOTAL PROGRAM REVENUES	<u>719,692</u>		<u>719,692</u>
NET PROGRAM REVENUE (EXPENSE)	(1,882,470)	(125,046)	(2,007,516)
GENERAL REVENUES (EXPENSE):			
Interest earnings	107,464	1,167	108,631
Property taxes	3,027,850	(1,365)	3,026,485
Contributions	<u>2,289</u>		<u>2,289</u>
TOTAL GENERAL REVENUES	<u>3,137,603</u>	<u>(198)</u>	<u>3,137,405</u>
NET CHANGE IN FUND BALANCE	<u>1,255,133</u>	<u>(1,255,133)</u>	
CHANGE IN NET POSITION		<u>1,129,889</u>	<u>1,129,889</u>
FUND BALANCE/NET POSITION			
Beginning of year	<u>5,041,990</u>	<u>19,038,112</u>	<u>24,080,102</u>
End of year	<u>\$ 6,297,123</u>	<u>\$18,912,868</u>	<u>\$25,209,991</u>

See independent auditor's report and notes to financial statements.

CLOVIS VETERANS MEMORIAL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

I. Summary of significant accounting policies

A. Reporting entity

Clovis Veterans Memorial District was formed in 1946 under the provisions of the Military and Veterans Code of the State of California for the purpose of providing recreational facilities for various veterans and community activities. The District encompasses the area contained within the Clovis Unified School District, plus part of the Tarpey School District. The District Board is composed of five members elected by the public to serve four-year staggered terms without compensation.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customer or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Interest associated with the current fiscal period is considered being susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered measurable and available only when the District receives cash.

CLOVIS VETERANS MEMORIAL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

(continued)

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

The District reports the following major governmental fund:

General fund – The general fund is the general operating fund of the District and is used to account for all financial resources.

D. Assets, liabilities, and net position or equity

1. Cash and investments

The District invests its excess cash principally with the Fresno County Treasury. The County pools these funds with those of other entities in the County and invests the cash in accordance with California Government Codes. Generally, investments with the County are available for withdrawal on demand.

2. Capital assets

Capital assets, which include property and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial cost of more than \$5,000 and an estimated useful life of more than one year. All such assets are recorded at cost or estimated historical costs. Donated assets are recorded at estimated fair market value at the date donated.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property and equipment is depreciated over the estimated useful lives using the straight-line method. Estimated useful lives are as follows:

Ground improvements	20-50 years
Buildings	20-50
Furniture and equipment	5-10

3. Compensated absences

The liability for vested leave (vacation, compensated time off, holiday) earned but not used in governmental funds is expensed and established as a liability and is reported in the entity-wide statement of net position. No liability is recorded for non-vesting leave such as sick leave.

CLOVIS VETERANS MEMORIAL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

(continued)

4. Long-term liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities.

5. Pension plan

The District recognizes a net pension liability, which represents its proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial report provided by Fresno County Employees' Retirement Association (FCERA). The net pension liability is measured as of the District's prior fiscal year-end. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred. The average remaining service lifetime for the 2016-2017 measurement period is 4.51 years.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a recognition period of 4.51 years.

6. Fund equity

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.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, followed by the unrestricted component of net position as needed.

CLOVIS VETERANS MEMORIAL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

(continued)

7. Net position

Net position presents the difference between assets and liabilities in the statement of net position. Net position invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition or improvement of those assets.

8. Property taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of Fresno bills and collects the taxes for the District. Property tax revenues are recognized when they become measurable and available to finance current liabilities. The District considers property taxes available if they are collected within sixty days after year-end.

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has only one item that qualifies for reporting in this category, deferred outflows related to pensions.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. The separate financial element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District has one type of deferred inflow which qualifies for reporting in this category, deferred inflows related to pensions.

E. Estimates

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

CLOVIS VETERANS MEMORIAL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

(continued)

II. Reconciliation of government-wide and fund financial statements

A. Explanation of adjustments between the governmental fund balance sheet and the government-wide statement of net position

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

Fund balance – governmental fund statement	\$ 6,297,123
Long-term assets (receivables) are not due and receivable in the current period and therefore Are not reported in the funds.	37,965
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	23,180,873
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The details of the differences are as follows:	
Accrued compensated absences	(18,782)
2017 Lease	(3,362,000)
Net pension liability	<u>(1,187,091)</u>
	<u>(4,567,873)</u>
Deferred outflows related to pensions	390,771
Deferred inflows related to pensions	<u>(128,868)</u>
Net position of governmental activities	<u>\$25,209,991</u>

B. Explanation of adjustments between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

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

Net change in fund balance – total governmental funds	\$ 1,255,133
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(254,638)
Repayment of debt principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities on the Statement of Net Position.	108,000
Revenues in the statement of activities that do not provide current financial resources and are not reported as revenues in the funds.	(198)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in the governmental funds.	6,867
Payroll liabilities in the statement of activities did not require the use of current financial resources.	(9,049)
Compensated absences in the statement of activities did not require the use of current financial resources. The difference between compensated absences paid and earned was:	2,561
Pension contributions are reported as expenditures in the governmental funds, but contributions are reported as deferred outflows in the Statement of Net Position.	<u>21,213</u>
Change in net position of governmental activities.	<u>\$ 1,129,889</u>

CLOVIS VETERANS MEMORIAL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

(continued)

III. Stewardship, compliance, and accountability

A. Budgetary information

By state law, the District's Governing Board must approve, and file with the County, a budget no later than July 31. The District's Governing Board satisfied these requirements.

The budgets are revised by the District's Governing Board during the year to give consideration to unanticipated income and expenditures. It is this final revised budget that is presented in the financial statements.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object accounts.

IV. Detailed notes on all funds

A. Cash and investments

The carrying amount of cash and investments at June 30, 2018 is as follows:

Petty cash	\$ 629
Bank deposits	59,397
External Investment pool – Fresno County	
Treasury Investment Pool	<u>6,620,519</u>
	<u>\$6,680,545</u>

Investments Authorized by the California Government Code

The District does not have an investment policy independent of what is allowed under the California Government Code.

The table below identifies the investment types that are authorized for the District by the California Government Code. The Table also identifies certain provisions of the Code that addresses interest rate risk, credit risk, and concentration of credit risk.

CLOVIS VETERANS MEMORIAL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

(continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
JPA Pools (other investment pools)	N/A	None	None

The Fresno County Treasury Investment Pool Statement of Investment Policy is more stringent than the California Government Code. As of June 30, 2018, the Investment Pool portfolio complied with its Statement of Investment Policy.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2018, the years to maturity of the investments contained in the Fresno County Treasury Investment Pool is 2.2 years. 32.3% of the portfolio at cost matures within 12 months, 32.3% matures between 1 and 3 years, and 35.4% matures between 3 and 5 years.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Fresno County Treasury Investment Pool does not have a rating provided by a nationally recognized statistical rating organization. However, the assets of the portfolio held by the pool as of June 30, 2018 had an average dollar weighted quality rating at "AA+."

CLOVIS VETERANS MEMORIAL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

(continued)

Concentration of Credit Risk

There are no investments in any one issuer that represents 5% or more of total District investments.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provisions for deposits: The California Government Code requires that financial institutions secure deposits made by the state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California laws also allow financial institutions to secure district deposits by pledging the first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2018, none of the Districts deposits with financial institutions were held in uncollateralized accounts.

Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as the Fresno County Treasury Investment Pool).

Investments in Fresno County Treasury Investment Pool

The District is a voluntary participant in the Fresno County Treasury Investment Pool that is regulated by the California Government Code under the oversight of the Auditor-Controller/Treasurer-tax Collector of Fresno County. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the Treasury Investment Pool for the entire Treasury Investment Pool portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the Treasury Investment Pool, which are recorded on an amortized cost basis.

CLOVIS VETERANS MEMORIAL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

(continued)

B. Capital assets

Capital activity for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Government activities:				
Capital assets, not being depreciated:				
Land	\$ 2,271,637	\$	\$	\$ 2,271,637
Leasehold improvements	16,476			16,476
Construction in progress	<u>159,185</u>	<u>46,330</u>	<u> </u>	<u>205,515</u>
Total capital assets, not being depreciated	<u>2,447,298</u>	<u>46,330</u>	<u> </u>	<u>2,493,628</u>
Capital assets, being depreciated:				
Ground improvements	3,569,037			3,569,037
Buildings	22,530,441	30,573		22,561,014
Furniture and equipment	<u>379,985</u>	<u>228,726</u>	<u>(16,072)</u>	<u>592,639</u>
Total capital assets being depreciated	<u>26,479,463</u>	<u>259,299</u>	<u>(16,072)</u>	<u>26,722,690</u>
Less accumulated depreciation for:				
Ground improvements	(874,110)	(75,989)		(950,099)
Buildings	(4,360,912)	(460,154)		(4,821,066)
Furniture and equipment	<u>(256,229)</u>	<u>(24,123)</u>	<u>16,072</u>	<u>(264,280)</u>
Total accumulated depreciation	<u>(5,491,251)</u>	<u>(560,266)</u>	<u>16,072</u>	<u>(6,035,445)</u>
Total capital assets, being depreciated, net	<u>20,988,212</u>	<u>(300,967)</u>	<u> </u>	<u>20,687,245</u>
Governmental activities capital assets, net	<u>\$23,435,510</u>	<u>\$(254,637)</u>	<u>\$ </u>	<u>\$23,180,873</u>

C. Long-term liabilities

The following is a summary of changes in long-term liabilities during the 2017-2018 fiscal year:

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
2017 Lease financing	\$3,416,000	\$	\$(54,000)	\$3,362,000	\$192,000
Accrued compensated absences	<u>21,343</u>	<u> </u>	<u>(2,561)</u>	<u>18,782</u>	<u> </u>
	<u>\$3,437,343</u>	<u>\$ </u>	<u>\$(56,561)</u>	<u>\$3,380,782</u>	<u>\$192,000</u>

CLOVIS VETERANS MEMORIAL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

(continued)

2017 Lease Financing

In June 2017, the District entered into a lease agreement with Local Facilities Financing Corporation (the Corporation) to finance the purchase of real property and capital improvements to District facilities. Under the terms of the agreement, the District will lease the Rex Phebus Veterans Memorial Building to the Corporation in exchange for an up-front rental payment sufficient to enable the District to finance the purchase. The Corporation will lease the building back to the District in consideration for the payment by the District of semiannual lease payments as rental for the leased property, which the Corporation will assign to Branch Banking and Trust Company. Lease payments bear interest at 2.74% and are paid semi-annually in July and January, beginning July, 2017. Lease payments to be made by the District to maturity of the agreement are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 192,000	\$ 90,804	\$ 282,804
2020	197,000	85,515	282,515
2021	202,000	80,076	282,076
2022	208,000	74,501	282,501
2023	214,000	68,760	282,760
2024-2028	1,161,000	251,942	1,412,942
2029-2033	<u>1,188,000</u>	<u>82,708</u>	<u>1,270,708</u>
	<u>\$3,362,000</u>	<u>\$734,306</u>	<u>\$4,096,306</u>

D. Fund balance

In the fund statements, the general fund reports components of fund balance based on constraints on the specific purposes for which amounts can be spent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

CLOVIS VETERANS MEMORIAL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

(continued)

V. Other Information

A. Retirement Plan

Plan Description

Plan administration. The District provides disability and retirement benefits to its employees through the Fresno County Employees' Retirement Association (FCERA). FCERA was established by the County Board of Supervisors on January 1, 1945. FCERA is administered by the Board of Retirement and governed by the County Employees' Retirement Law of 1937 (California Government Code Section 31450 et. Seq.). FCERA is a cost-sharing multiple employer defined benefit public employee retirement system whose main function is to provide service retirement, disability, death and survivor benefits to the General and Safety members employed by the County of Fresno. In addition to the District, FCERA also provides retirement benefits to the employee members of the Superior Court County of Fresno, Fresno-Madera Area Agency on Aging and Fresno Mosquito and Vector Control District.

The management of FCERA is vested with the FCERA Board of Retirement. The Board consists of nine members and two alternates. The County Treasurer is elected by the general public and a member of the Board of Retirement by law. Four members are appointed by the Board of Supervisors, one of whom may be a County Supervisor. Two active members are elected by the General members; one active member is elected by the Safety members; one retired member and one alternate are elected by the retired members. All members of the Board of Retirement serve terms of three years except for the County Treasurer whose term runs concurrent with his/her term as County Treasurer.

Plan membership. At June 30, 2017, pension plan membership consisted of the following:

Retired members or beneficiaries currently receiving benefits	7,200
Vested terminated members entitled to but not yet receiving benefits(1)	3,411
Active members	<u>7,353</u>
Total	<u>17,964</u>

(1) Includes terminated members due a refund of member contributions

Benefits provided. FCERA provides service retirement, disability, death and survivor benefits to the District's eligible employees. All regular full-time employees and permanent part-time employees who work 50% or more for the District become members of FCERA effective on the first day of the first full pay period after employment in a permanent position. The retirement benefit the member will receive is based upon age at retirement, final average compensation, years of retirement service credit and retirement plan and tier. The tiers and their basic provisions for the District are listed below:

CLOVIS VETERANS MEMORIAL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

(continued)

<u>Tier Name</u>	<u>Effective Date</u>	<u>Basic Provisions</u>	<u>Final Average Salary Period</u>
General Tier 1	January 1, 2001	2.5% at 55; Maximum 3% COLA	Highest 1-year
General Tier 5	January 1, 2013	2.5% at 67; no COLA	Highest 3-years

Contributions

The County of Fresno and the other participating agencies contribute to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from FCERA's actuary after the completion of the annual actuarial valuation. The average employer contribution rate as of June 30, 2017 for 2016-2017 (based on the June 30, 2015 valuation) was 51.37% of compensation.

Members are required to make contributions to FCERA regardless of the retirement plan or tier in which they are included. The average member contribution rate as of June 30, 2017 for 2016-2017 (based on the June 30, 2015 valuation) was 9.39% of compensation.

For the year ended June 30, 2018, the contributions recognized as part of pension expense for the Plan were \$177,352.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2018, the District reported net pension liabilities of \$1,187,091 for its proportionate share of the net pension liability of FCERA.

The District's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability as of June 30, 2016 and 2017 was as follows:

Proportion – June 30, 2016	0.130%
Proportion – June 30, 2017	0.116%
Change – Increase (Decrease)	0.014%

CLOVIS VETERANS MEMORIAL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

(continued)

For the year ended June 30, 2018, the District recognized pension expense of \$166,815. At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$177,428	\$
Net difference between projected and actual earnings on pension plan investments	104,489	
Adjustments due to differences in proportion		29,161
Changes of assumptions or other inputs	108,854	
Difference between expected and actual experience in the total pension liability	<u> </u>	<u>99,707</u>
Total	<u>\$390,771</u>	<u>\$128,868</u>

\$177,428 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized as follows:

2019	\$ 12,767
2020	113,405
2021	6,068
2022	(47,765)

Actuarial Valuation Assumptions

For the measurement period ended June 30, 2017, the total pension liabilities were determined by rolling forward the June 30, 2016 total pension liability. The actuarial assumptions used were based on the results of an experience study for the period from July 1, 2012 through June 30, 2015. The June 30, 2018 total pension liabilities were based on the following actuarial methods and assumptions.

CLOVIS VETERANS MEMORIAL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

(continued)

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Actuarial cost method	Entry age normal cost method
Investment rate of return	7.00%, net of pension plan investment expense, including inflation
Administrative expense	1.10% of payroll allocated to both the employer and member based on the components of the total contribution rate (before expenses) for the employer and member.
Project salary increases	General: 4.50% to 11.50% and Safety: 4.90% to 11.50%, vary by service, including inflation
Inflation	3.0%
Cost-of-living adjustment	The Cost-of-Living Adjustment (COLA) is applied in accordance with charges to the Consumer Price Index but limited to a maximum of 3% per year. Maximum 3% COLA for members enrolled in Tiers 1, 2, and 3. No COLA for members enrolled in Tiers 4 or 5.

Post-retirement mortality rates for General members and all beneficiaries were based on the Headcount – weighted RP-2014 Healthy Annuitant Mortality Table projected 20 years with the two-dimensional scale MP2015D, set forward one year for females.

Discount Rate

The discount rate used to measure the Total Pension Liability (TPL) was 7.0% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL as of June 30, 2017.

CLOVIS VETERANS MEMORIAL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

(continued)

Target Asset Allocation

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap U.S. Equity	14%	5.80%
Small Cap U.S. Equity	3%	6.52%
Developed International Equity	12%	6.89%
Emerging Markets Equity	7%	8.88%
U.S. Core Fixed Income	5%	0.76%
High Yield Fixed Income	5%	3.55%
Global Bonds	7%	0.41%
Bank Loans	5%	2.34%
TIPS	4%	0.41%
Emerging Market Debt	5%	4.52%
Real Estate	5%	4.48%
Commodities	3%	4.14%
Infrastructure	3%	3.80%
Hedge Funds	8%	4.40%
Private Credit	8%	7.70%
Private Equity	6%	9.00%
Total	<u>100%</u>	

Discount Rate Sensitivity.

The following presents the Net Pension Liability (NPL) of the District as of June 30, 2017, calculated using the discount rate of 7.0%, as well as what the District's NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate.

	<u>1% Decrease (6.0%)</u>	<u>Current Discount Rate (7.0)</u>	<u>1% Increase (8.0%)</u>
District's proportionate share of the net pension liability	\$1,911,256	\$1,187,091	\$593,894

CLOVIS VETERANS MEMORIAL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

(continued)

<u>Reconciliation of Net Pension Liability</u>	<u>2017/18</u>	<u>2016/17</u>
Beginning Net Pension Liability	\$1,559,493	\$1,042,901
Pension Expense	166,815	231,294
Employer Contributions	(177,352)	(193,182)
Change in Net Deferred Inflows/Outflows	<u>(361,865)</u>	<u>478,480</u>
Ending Net Pension Liability	<u>\$1,187,091</u>	<u>\$1,559,493</u>

Payable to Pension Plan

At June 30, 2018, the District reported a payable of \$7,448 for the outstanding amount of contributions to pension plan required for the year ended June 30, 2018.

B. Pension Obligation Bonds

In 2004, the County of Fresno issued Pension Obligation Bonds to extinguish a portion of the County's unfunded Actuarial Accrued Liability in Fresno County Employers Retirement Association (FCERA). Required Pension Obligation Bond contributions made by the District to Fresno County were \$57,423 during 2017/18.

C. Revenue Concentration Risk

The District receives a substantial amount of its support from property tax revenue. During the year ended June 30, 2018, property tax revenue was approximately 78% of the District's support.

D. Contingent Liabilities

The District is involved as a defendant in the discrimination and wrongful termination suit, filed by a prior employee. Following mediation in October 2018, the parties reached settlement. Under the settlement agreement, which has been executed by Plaintiff \$115,000 as settlement of all claims, alleged damages, and attorneys' fees. Plaintiff will dismiss the lawsuit with prejudice. The settlement agreement also includes a full release by Plaintiff and an acknowledgement that the Plaintiff will not seek future employment with the District. The settlement agreement also provides that the District is admitting no liability or any wrongdoing in connection with the settlement. From the District's perspective, settlement is a business decision.

E. Risk Management

The District is a member of the Special District Risk Management Authority (SDRMA), a public entity risk pool, for property and liability insurance. SDRMA assumes the risk of loss from claims incurred by the pool, up to the policy limits, through a combination of self-insurance and the purchase of commercial insurance. Although the pooling agreement does not permit the pool to make additional assessments or distribute retrospective refunds to its members, future annual premiums are adjusted for any surplus or deficit experienced by the pool.

During the 2017/2018 year, there were no reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

REQUIRED SUPPLEMENTARY INFORMATION

CLOVIS VETERANS MEMORIAL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

Schedule of Proportionate Share of the Net Pension Liability

<u>Reporting Date for Employer under GASB 68 as of June 30</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Covered Employee Payroll⁽¹⁾</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2014	0.094%	\$1,273,120	\$351,468	370.35%	72.64%
2015	0.079%	690,297	405,365	218.17%	82.71%
2016	0.096%	1,042,901	403,071	318.04%	79.14%
2017	0.102%	1,559,493	469,250	380.94%	72.77%
2018	0.091%	1,187,091	443,055	267.93%	77.46%

⁽¹⁾ Covered payroll represents earnable and pensionable compensation.

CLOVIS VETERANS MEMORIAL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

Schedule of Contributions

	2017/18	2016/17
Actuarially determined contribution	\$ 184,055	\$ 182,514
Contributions in relation to the actuarially determined contributions	<u>(184,055)</u>	<u>(182,514)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>
Covered-employee payroll	<u>\$ 443,055</u>	<u>\$ 469,250</u>
Contributions as a percentage of covered-employee payroll	41.54%	38.89%

Notes to Schedule

Methods and assumptions used to establish “actuarially determined contribution” (ADC) rates:

Valuation date	Actuarially determined contribution rates are calculated as of June 30, one years prior to the end of the fiscal year in which contributions are reported
Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method	Level percent of payroll (3.75% payroll growth assumed)
Remaining amortization period	UAAL established as of June 30, 2003 is amortized over a declining period (with 20 years remaining as of the June 30, 2014 valuation which set the rates for the 2015/2016 fiscal year) plus 15 years (declining) for UAAL due to actuarial gains or losses, changes in actuarial assumptions or plan amendments established on each subsequent valuation.
Asset valuation method	The actuarial value of assets is determined by recognizing any differences between the actual and the expected market return over 10 six-month interest crediting periods. The actuarial value of assets is further adjusted, if necessary, to be within 30% of the market value of assets. The valuation value of assets is the actuarial value of assets reduced by the value of the non-valuation reserves. Deferred gains and losses as of June 30, 2011 have been combined and will be recognized in equal amounts over a period of four and a half years from that date.
Actuarial assumptions:	
June 30, 2014 valuation	
Investment rate of return	7.25%, net of pension plan investment expense, including inflation
Inflation rate	3.25%
Real across-the-board salary increase	0.50%
Administrative expense	1.10% of payroll allocated to both the employer and member based on the components of total average contribution rate (before expenses) for the employer and member.
Projected salary increases	4.75% to 10.75%, varying by service, including inflation
Cost of living adjustments	3.00% of retirement income for General Tier 1 and 0.00% for Tier 5

CLOVIS VETERANS MEMORIAL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES-BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$2,839,939	\$2,839,939	\$3,027,850	\$ 187,911
Investment earnings	20,000	20,000	107,464	87,464
Building fees and miscellaneous	<u>538,800</u>	<u>538,800</u>	<u>721,981</u>	<u>183,181</u>
Total Revenues	<u>3,398,739</u>	<u>3,398,739</u>	<u>3,857,295</u>	<u>458,556</u>
EXPENDITURES				
Salaries and employee benefits:				
Salaries	739,000	739,000	652,061	86,939
Payroll taxes	64,000	64,000	60,552	3,448
Retirement	287,000	287,000	234,851	52,149
Insurance	195,500	195,500	200,785	(5,285)
Employee benefit package	<u>20,000</u>	<u>20,000</u>	<u>6,216</u>	<u>13,784</u>
	<u>1,305,500</u>	<u>1,305,500</u>	<u>1,154,465</u>	<u>151,035</u>
Administration:				
Accounting	5,000	5,000	13,988	(8,988)
Advertising	78,000	78,000	57,958	20,042
Association membership	10,000	10,000	8,490	1,510
Bank charges			151	(151)
Billing for taxes collected			6	(6)
Communication	15,500	15,500	13,318	2,182
Consulting	80,000	80,000	83,369	(3,369)
Education	21,000	21,000	17,261	3,739
HR expenses	2,000	2,000	2,581	(581)
Legal			115,000	(115,000)
Merchant deposit fees	10,000	10,000	11,991	(1,991)
Meeting expense	6,000	6,000	5,810	190
Office expense	56,400	56,400	42,408	13,992
Payroll expense	5,000	5,000	2,945	2,055
Pepsi machine	2,000	2,000	1,979	21
Property taxes			114	(114)
Public relations support	5,000	5,000	2,496	2,504
Miscellaneous			<u>2,568</u>	<u>(2,568)</u>
	<u>295,900</u>	<u>295,900</u>	<u>382,433</u>	<u>(86,533)</u>
Activities:				
Art and Essay Award Contest	6,000	6,000	4,967	1,033
Christmas activities	15,000	15,000	8,009	6,991
District recognition	6,500	6,500	3,097	3,403
Freedom Fest	45,000	45,000	51,773	(6,773)
Memorial Day	15,000	15,000	13,489	1,511
Patriots dinner	20,000	20,000	10,500	9,500
Special events			402	(402)
Veterans Day	<u>45,000</u>	<u>45,000</u>	<u>43,535</u>	<u>1,465</u>
	<u>152,500</u>	<u>152,500</u>	<u>135,772</u>	<u>16,728</u>

See independent auditor's report and notes to financial statements

CLOVIS VETERANS MEMORIAL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES-BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2018

	<u>(continued)</u>		Actual Amounts	Variance with Final Budget- Positive (Negative)
	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>		
Senior services:				
Senior center	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u> </u>
Buildings and grounds:				
Insurance	40,000	40,000	30,460	9,540
Maintenance and equipment	120,000	120,000	101,433	18,567
Inventory	50,000	50,000	47,058	2,942
Supplies	40,000	40,000	32,968	7,032
Employee uniforms/rugs	4,000	4,000	3,180	820
Utilities	68,000	68,000	99,033	(31,033)
Security guards			52,502	(52,502)
Service	<u>60,000</u>	<u>60,000</u>	<u>31,320</u>	<u>28,680</u>
	<u>382,000</u>	<u>382,000</u>	<u>397,954</u>	<u>(15,954)</u>
Grants and Memorials:				
Public support fund	50,000	50,000	18,896	31,104
War Dogs Memorial			2,160	(2,160)
Community Heritage Center			<u>3,187</u>	<u>(3,187)</u>
	<u>50,000</u>	<u>50,000</u>	<u>24,243</u>	<u>25,757</u>
Capital improvements	<u>570,000</u>	<u>570,000</u>	<u>305,629</u>	<u>264,371</u>
Debt Service:				
Principal	108,000	108,000	108,000	
Interest	<u>54,000</u>	<u>54,000</u>	<u>53,666</u>	<u>334</u>
	<u>162,000</u>	<u>162,000</u>	<u>161,666</u>	<u>334</u>
Total Expenditures	<u>2,957,900</u>	<u>2,957,900</u>	<u>2,602,162</u>	<u>355,738</u>
Net change in fund balances	440,839	440,839	1,255,133	814,294
Fund balances – beginning of year	<u>5,041,990</u>	<u>5,041,990</u>	<u>5,041,990</u>	<u> </u>
Fund balances – end of year	<u>\$5,482,829</u>	<u>\$5,482,829</u>	<u>\$6,297,123</u>	<u>\$ 814,294</u>

See independent auditor's report and notes to financial statements

ADDITIONAL AUDITOR'S REPORT



INDEPENDENT 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

Board of Directors
Clovis Veterans Memorial District
Clovis, 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 Clovis Veterans Memorial District (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 17, 2019.

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 opinion 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.

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 the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs, as Item #2018-1 to be a material weakness.

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 described in the accompanying schedule of findings and questioned costs as item #2018-2 to be a significant deficiency.

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 Clovis Veterans Memorial District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 disclose no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Clovis Veteran's Memorial District's Response to Findings

Clovis Veteran's Memorial District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Clovis Veteran's Memorial District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 and 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. Accordingly, this communication is not suitable for any other purpose.

Sampson, Sampson & Patterson, LLP

Clovis, California
April 17, 2019

CLOVIS VETERANS MEMORIAL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

Material Weakness

2018-1 – Cash Reconciliation of Treasury Accounts

Condition:

The District maintains two treasury accounts with the County of Fresno. Both accounts had transfers recorded on the books between the two accounts that never took place. The transfers were listed on the reconciliation at the end of the fiscal year as outstanding transactions.

Criteria:

Accurate cash reconciliations for all accounts is key to monitoring internal control over cash receipts and disbursements.

Effect of Condition:

Incorrect bank reconciliations can obscure significant items such as bank errors, improperly recorded transactions and compromise bank intrusions.

Cause of Condition:

Transfers between the two County of Fresno accounts would typically take place each month except for a few months during the fiscal year. However, the transfers were still recorded on the books as if they took place.

Recommendation:

We recommend that all reconciliations should be reviewed by management for accuracy and completeness.

Response:

Moving forward we have implemented the following procedure to limit liability and error. At the end of the month the Bookkeeper puts together the documentation for the reconciliation. The Director of Operations then completes the reconciliation. At the end of each month any uncleared transactions will be reviewed with the Bookkeeper to ensure that all items are cleared at the appropriate time. Checks that are written after 6 months will be reviewed and reissued if they have not been cashed. After the reconciliation is complete the CEO will review the reconciliation and approve the reconciliation to ensure that they are reviewed for accuracy.

CLOVIS VETERANS MEMORIAL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

(Continued)

Significant Deficiency

2018-2 – Credit Cards

Condition:

As part of our test of controls procedures over credit cards we selected 7 statements from 7 credit card users for testing. From our controls testing performed we noted the following:

1. Receipts were missing for some charges for 6 credit cards statements.

Criteria:

All supporting documentation for credit card charges should be collected from the user on a timely basis.

Effect of Condition:

Lack of credit card support increases the risk of not detecting improper use of credit card and could result in the financial statements being misstated.

Cause of Condition:

Failure to follow proper purchasing procedures.

Recommendation:

We recommend that all charges on the credit card statements be substantiated with supporting receipts, invoices, or other documentation. The supporting documentation should be provided to the accounting department as soon as possible after the charge is made and attached to the corresponding credit card statement. The reviewer should verify that each charge on the statement is accompanied by appropriate supporting documentation.

Response:

To ensure that credit card receipts are kept for the statements the District has utilized an application called "Receipts" that allows you to take photos of your receipts and categorize the expense. The District will ensure that the reviewer checks all credit card statements to ensure that all receipts are attached to the statement. The District has also tried to limit credit card purchases by utilizing Purchase Orders for expenses, such as Amazon.