

PORTERVILLE MEMORIAL DISTRICT
REPORT ON AUDIT OF FINANCIAL STATEMENTS
FOR THE TWO YEARS ENDED JUNE 30, 2019 AND 2018

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 6
Government-wide Financial Statements	
Statement of Net Position	7
Statement of Activities	8
Fund Financial Statements	
Balance Sheet – Governmental Fund	9
Reconciliation of Governmental Fund Balance Sheet to Net Position of Governmental Activities	10
Statement of Revenue, Expenditures and Changes in Fund Balance – Governmental Fund	11
Reconciliation of Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Net Position to Change in Net Position of Governmental Activities	12
Notes to General Purpose Financial Statements	13 - 17
Supplementary Information	
Statement of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	18
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19 - 20

1423 Eleventh Street
P O Box 1057
Reedley CA 93654-1057

(559) 638-8600
(800) 464-5711
Fax (559) 638-8700

INDEPENDENT AUDITOR'S REPORT

December 3, 2019

Board of Directors
Porterville Memorial District
Porterville, California

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities of Porterville Memorial District, State of California, as of and for the two years ended June 30, 2019 and 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable in financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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 judgement, 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 District's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Porterville Memorial District, State of California, as of June 30, 2019 and 2018 and the respective changes in financial position for the two years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages three through six and the statement of revenue, expenditures and changes in fund balance – budget and actual on page 18 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. I 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated December 3, 2019 on my consideration of Porterville Memorial District's internal control over financial reporting and on my 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 my 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.

*Sanborn and Sanborn
Accountancy Corporation*

CERTIFIED PUBLIC ACCOUNTANTS

**PORTERVILLE MEMORIAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

As management of Porterville Memorial 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, 2019. We encourage readers to consider the information presented here in conjunction with information that is included within the financial statements.

Financial Highlights

- Assets of the District exceeded its liabilities as of June 30, 2019 by \$3,830,235. Of this amount, unrestricted net position of \$2,218,342 may be used to meet the District's ongoing obligations to customers and creditors. As of June 30, 2018, assets exceeded liabilities by \$3,643,728 with unrestricted net position equaling \$1,982,762.
- Total net position increased by \$186,507 for the year ended June 30, 2019. For the year ended June 30, 2018, total net position increased by \$169,455.
- As of the close of the current fiscal year, the District's governmental fund reported an ending fund balance of \$2,218,342, an increase of \$235,580 in comparison with the prior year. Of this amount, \$2,211,573 is unassigned and available for spending, with none of it designated for specific future use by the Board of Directors of the District. For the year ended June 30, 2018, the District's governmental fund had an ending fund balance of \$1,982,762, with \$1,976,409 unassigned and available for spending. There was an increase of \$190,280 in the ending fund balance in the prior year.
- During the current year, the District's fixed assets decreased by a net of \$49,073. The decrease was attributable to building improvements less depreciation. Depreciation expense, the ratable amortization of the cost of fixed assets, amounted to \$49,073 for the current year. Prior year depreciation was \$48,373.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Porterville Memorial District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with 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 related cash flows. Thus, revenue and expense are reported in this statement for some items that will only result in cash flow in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the District that are principally non business in nature (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 include providing meeting facilities for veterans groups and others. The District has no business-type activities.

The government-wide financial statements include only the District itself. The District has no component units.

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. The District has no proprietary funds and only one governmental fund, the General Fund.

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 governmental funds 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 statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenue, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between the two.

Notes to the 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.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of June 30, 2019, the District's assets exceeded liabilities by \$3,830,235. A significant portion of the District's net position (42 percent) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. Capital assets are used to provide services to customers and they are not available for future spending.

The following represent summaries of the District's net position and changes in net position for the current and prior years:

Porterville Memorial District's Net Position

	<u>Governmental Activities</u>	<u>Current Year Total</u>	<u>Prior Year Total</u>
Current assets	\$ 2,239,753	\$ 2,239,753	\$ 2,008,031
Other assets	<u>1,611,893</u>	<u>1,611,893</u>	<u>1,660,966</u>
Total assets	<u>3,851,646</u>	<u>3,851,646</u>	<u>3,668,997</u>
Current liabilities	<u>21,411</u>	<u>21,411</u>	<u>25,269</u>
Total liabilities	<u>21,411</u>	<u>21,411</u>	<u>25,269</u>
Net position:			
Invested in capital assets, net of related debt	1,611,893	1,611,893	1,660,966
Unrestricted	<u>2,218,342</u>	<u>2,218,342</u>	<u>1,982,762</u>
Total net position	<u>\$ 3,830,235</u>	<u>\$ 3,830,235</u>	<u>\$ 3,643,728</u>

Porterville Memorial District's Changes in Net Position

	<u>Governmental Activities</u>	<u>Current Year Total</u>	<u>Prior Year Total</u>
Program revenue			
Charges for services and facilities	\$ 89,628	\$ 89,628	\$ 106,153
Operating grants and contributions	<u> </u>	<u> </u>	<u> </u>
Total revenue	<u>89,628</u>	<u>89,628</u>	<u>106,153</u>
Expense			
Rental activities	<u>307,653</u>	<u>307,653</u>	<u>308,348</u>
Total expense	<u>307,653</u>	<u>307,653</u>	<u>308,348</u>
Increase/(decrease) in net position before general revenue	(218,025)	(218,025)	(202,195)
General revenue	<u>404,532</u>	<u>404,532</u>	<u>371,650</u>
Increase in net position	186,507	186,507	169,455
Net position, beginning of year	<u>3,643,728</u>	<u>3,643,728</u>	<u>3,474,273</u>
Net position, end of year	<u>\$ 3,830,235</u>	<u>\$ 3,830,235</u>	<u>\$ 3,643,728</u>

Governmental activities. Governmental activities increased the District's net position by \$186,507, accounting for 100 percent of the total growth in net position.

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds. The purpose of the District's governmental fund financial statements is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2019, the District's governmental fund reported an ending fund balance of \$2,218,342, an increase of \$235,580 in comparison to the prior year. Of the ending fund balance, \$2,211,573 is unassigned and available for spending at the District's discretion.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2019 amounted to \$1,611,893 (net of allowance for depreciation). This investment in capital assets includes land, building, improvements and equipment.

Additional information on the District's capital assets can be found in note three.

Debt administration. The District has no long-term debt.

Economic Factors and Next Year's Budgets and Rates

The budget for the year ending June 30, 2020 projects a deficit of \$1,832,726. Revenue is anticipated to increase by \$386,951 while expenditures are expected to increase by \$2,455,257. Property tax revenue is anticipated to increase by \$256,785, rental revenue is expected to increase by \$71,858 and other revenue is expected to increase by \$58,308 compared to the current year. Equipment and building maintenance and improvements are expected to increase by \$210,818, utility expenditures are expected to increase by \$55,068, labor and related costs are expected to increase by \$125,528, capital outlay is expected to increase by \$2,025,357 and all other expenditures are expected to increase by \$38,486 compared to 2018/2019.

Facility rental rates are not expected to increase during the year ending June 30, 2020.

Requests for Information

This financial report is designed to provide a general overview of Porterville Memorial District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the District Manager, Porterville Memorial District, 1900 West Olive Avenue, Porterville, California 93257-2726.

PORTERVILLE MEMORIAL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

Assets	
Current assets	
Cash and cash equivalents	\$ 2,230,531
Accounts receivable	2,453
Prepaid expense	<u>6,769</u>
Total current assets	<u>2,239,753</u>
Other assets	
Capital assets (net of allowance for depreciation)	<u>1,611,893</u>
Total other assets	<u>1,611,893</u>
Total assets	<u>3,851,646</u>
Liabilities	
Current liabilities	
Accounts payable and accrued expense	8,161
Deposits	<u>13,250</u>
Total current liabilities	<u>21,411</u>
Net Position	
Invested in capital assets, net of related debt	1,611,893
Unrestricted	<u>2,218,342</u>
Total net position	<u>\$ 3,830,235</u>

See accompanying notes to financial statements.

PORTERVILLE MEMORIAL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Expense</u>	<u>Program Revenue</u>		<u>Net Revenue/ (Expense)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental operations				
Rental activities	<u>\$ 307,653</u>	<u>\$ 89,628</u>	<u>\$</u>	<u>\$ (218,025)</u>
General revenue				
Property taxes				344,917
Interest				42,085
Intergovernmental				<u>17,530</u>
Total general revenue				<u>404,532</u>
Change in net position				186,507
Net position, beginning of year				<u>3,643,728</u>
Net position, end of year				<u>\$ 3,830,235</u>

See accompanying notes to financial statements.

PORTERVILLE MEMORIAL DISTRICT
GOVERNMENTAL FUND
BALANCE SHEET
JUNE 30, 2019 AND 2018

	General Fund	
	2019	2018
Assets		
Cash on hand	\$ 200	\$ 200
Cash in bank	7,695	8,624
Cash in county treasury	2,222,636	1,990,113
Accounts receivable	2,453	2,741
Prepaid expense	6,769	6,353
	<u>\$ 2,239,753</u>	<u>\$ 2,008,031</u>
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 8,161	\$ 12,651
Deposits	13,250	12,618
Total liabilities	21,411	25,269
Fund balance		
Nonspendable	6,769	6,353
Unassigned	2,211,573	1,976,409
Total fund balance	2,218,342	1,982,762
	<u>\$ 2,239,753</u>	<u>\$ 2,008,031</u>

See accompanying notes to financial statements.

PORTERVILLE MEMORIAL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND BALANCE
SHEET TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2019

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances – total governmental funds	\$ 2,218,342
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds	<u>1,611,893</u>
Net position of governmental activities	<u>\$ 3,830,235</u>

See accompanying notes to financial statements.

PORTERVILLE MEMORIAL DISTRICT
GOVERNMENTAL FUND
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	General Fund	
	2019	2018
Revenue		
Property taxes	\$ 344,917	\$ 329,302
Rents	89,628	106,153
Interest	42,085	27,434
Intergovernmental	17,530	14,914
Total revenue	494,160	477,803
Expenditures		
Current		
Salaries and wages	117,318	114,025
Utilities	39,986	41,169
Repairs and maintenance	34,241	37,827
Services and supplies	18,390	17,666
Employee benefits	16,819	18,540
Insurance	9,738	9,181
Property tax administrative costs	8,503	8,431
Professional and specialized	5,900	5,552
Office supplies and postage	5,072	3,879
Communications	2,197	2,106
Publications and legal notices	416	
Other		1,600
Capital outlay		27,547
Total expenditures	258,580	287,523
Net change in fund balance	235,580	190,280
Fund balance, beginning of year	1,982,762	1,792,482
Fund balance, end of year	\$ 2,218,342	\$ 1,982,762

See accompanying notes to financial statements.

PORTERVILLE MEMORIAL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF
REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
TO CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

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

Net change in fund balances – total governmental funds	\$ 235,580
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	<u>(49,073)</u>
Change in net position of governmental activities	<u>\$ 186,507</u>

See accompanying notes to financial statements.

PORTERVILLE MEMORIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE TWO YEARS ENDED JUNE 30, 2019 AND 2018

Note 1: Summary of Significant Accounting Policies

Porterville Memorial District was organized upon the approval of the Board of Supervisors of Tulare County. The District was organized to provide and maintain meeting facilities for the use of veteran organizations. In addition, the District, under policies adopted by its Board of Directors, makes its facilities available to the community of Porterville. As the District is a governmental unit, it is exempt from federal and California taxes on income.

The accounting and reporting policies of the District conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Government Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*, and by the Financial Accounting Standards Board (when applicable).

A. Financial Reporting Entity

As required by generally accepted accounting principles, these general purpose financial statements present the District in conformance with GASB Statement No. 14, "The Financial Reporting Entity." Under Statement No. 14, component units are organizations that are included in the District's reporting entity because of the significance of their operational or financial relationships with the District. The District has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements, which are the statement of net position and the statement of activities, report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or activity are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenue include charges to customers and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the District are presented using the full accrual method of accounting and conform to accounting principles generally accepted in the United States of America and with the policies and procedures of the office of the State Controller, State of California. The District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronounce-

PORTERVILLE MEMORIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE TWO YEARS ENDED JUNE 30, 2019 AND 2018

Note 1: Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

ments and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with the GASB pronouncements. The District's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when 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, District revenues are available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when liabilities are incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

The District reports the following major governmental fund:

The General Fund is the District's only operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Amounts reported as program revenue include charges to customers for goods and services, operating grants and contributions and capital grants and contributions.

D. Assets, Liabilities and Net Position or Equity

1. Cash and Investments

Investments are reported at fair value. Cash represents cash on hand and in banks. Investments made from pooled cash consist primarily of short-term investments.

2. Property, Plant and Equipment

Capital assets, which include property, plant and equipment are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of three years. All material fixed assets are valued at historical cost. Donated fixed assets are valued at their estimated fair value on the date donated. When an asset is disposed of, cost and related accumulated depreciation is removed and any gain or loss arising from its disposal is credited or charged to operations.

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.

PORTERVILLE MEMORIAL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE TWO YEARS ENDED JUNE 30, 2019 AND 2018

Note 1: Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Net Position or Equity (continued)

Depreciation is recorded by using the straight-line method. The book value of each asset is reduced by equal amounts over its estimated useful life as follows:

	<u>Estimated Useful Life in Years</u>
Buildings and improvements	30 – 50
Equipment	10 – 30

3. Fund Equity

In the fund financial statements, governmental funds report fund balance amounts in the following classifications: Nonspendable, restricted, committed, assigned and unassigned. Nonspendable amounts represent inventories, prepaid items and long-term receivables. Restricted amounts have been restricted by external bodies. Committed amounts have been restricted by the District's governing board. Assigned amounts represent tentative designations by the District. Unassigned amounts are spendable and are not restricted, committed or assigned.

4. Net Position

Net position comprise the various net earnings from operating income, nonoperating revenue and expense and capital contributions. Net position are classified in the following three components:

Invested in capital assets, net of related debt – This component of net position consists of 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 improvements of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net asset components as the unspent proceeds.

Restricted – This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – This component of net position consists of net position that do not meet the definition of restricted or invested in capital assets, net of related debt.

E. Budgets and Budgetary Accounting

The District established a budget for its governmental fund for the year ended June 30, 2019. The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP).

PORTERVILLE MEMORIAL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE TWO YEARS ENDED JUNE 30, 2019 AND 2018

Note 1: Summary of Significant Accounting Policies (continued)

F. 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.

Note 2: Cash

The District's deposits as of June 30, 2019, were entirely covered by federal depository insurance or otherwise collateralized. The Government Code of the State of California requires California financial institutions to secure District deposits by pledging government securities as collateral.

The following is an analysis of cash as of June 30, 2019:

	Bank Balance Category*			Carrying Amount
	1	2	3	
Cash on hand	\$ 200	\$	\$	\$ 200
Cash in bank	7,695			7,695
County of Tulare		2,222,636		2,222,636
	\$ 7,895	\$2,222,636	\$	\$2,230,531

* These categories are as follows:

Category 1: Cash on hand or insured by the Federal Deposit Insurance Corporation or collateralized with securities held by the District or by its agents in the District's name.

Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3: Uncollateralized.

PORTERVILLE MEMORIAL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE TWO YEARS ENDED JUNE 30, 2019 AND 2018

Note 3: Property, Plant and Equipment

The following is an analysis of the District's fixed assets as of June 30, 2019:

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
Land*	\$ 275,000	\$	\$	\$ 275,000
Buildings and improvements	1,710,726			1,710,726
Equipment	<u>313,532</u>	<u> </u>	<u> </u>	<u>313,532</u>
Total	2,299,258			2,299,258
Depreciation allowance	<u>(638,292)</u>	<u>(49,073)</u>	<u> </u>	<u>(687,365)</u>
	<u>\$1,660,966</u>	<u>\$ (49,073)</u>	<u>\$ </u>	<u>\$1,611,893</u>

* Not currently depreciated

Note 6: Fund Balance – Nonspendable

The following is an analysis of nonspendable fund balance as of June 30, 2019:

Nonspendable for prepaid expense	\$ <u>6,769</u>
----------------------------------	-----------------

Note 7: Subsequent Events

Events affecting the District subsequent to June 30, 2019 through December 3, 2019 have been evaluated and included within these financial statements when applicable.

Note 8: Board of Directors

Members of the Board of Directors as of June 30, 2019, were as follows:

Allen Pundt	President
Michael K. Rooke	Secretary
John Alba	Director
Don Dowling	Director
Francisco Nuno	Director

PORTERVILLE MEMORIAL DISTRICT
GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	<u>General Fund</u>		
	<u>Budget - Original and Final</u>	<u>Actual</u>	<u>Variance - Favorable/ (Unfavorable)</u>
Revenue			
Property taxes	\$ 523,219	\$ 344,917	\$ (178,302)
Rents	140,423	89,628	(50,795)
Interest	35,414	42,085	6,671
Intergovernmental	12,040	17,530	5,490
Other	<u>55,088</u>	<u> </u>	<u>(55,088)</u>
Total revenue	<u>766,184</u>	<u>494,160</u>	<u>(272,024)</u>
Expenditures			
Current			
Salaries and wages	180,042	117,318	62,724
Utilities	82,656	39,986	42,670
Repairs and maintenance	213,095	34,241	178,854
Services and supplies	34,995	18,390	16,605
Employee benefits	45,755	16,819	28,936
Insurance	14,082	9,738	4,344
Property tax administrative costs	4,496	8,503	(4,007)
Professional and specialized	11,645	5,900	5,745
Office supplies and postage	6,150	5,072	1,078
Communications	2,630	2,197	433
Publications and legal notices	834	416	418
Other	200,000		200,000
Rents and leases of equipment	1,754		1,754
Transportation and travel	550		550
Capital outlay	<u>1,761,180</u>	<u> </u>	<u>1,761,180</u>
Total expenditures	<u>2,559,864</u>	<u>258,580</u>	<u>2,301,284</u>
Revenue over/(under) expenditures	(1,793,680)	235,580	2,029,260
Fund balance, beginning of year	<u>1,982,762</u>	<u>1,982,762</u>	<u> </u>
Fund balance, end of year	<u>\$ 189,082</u>	<u>\$ 2,218,342</u>	<u>\$ 2,029,260</u>

See accompanying notes to financial statements.

1423 Eleventh Street
P O Box 1057
Reedley CA 93654

(559) 638-8600
(800) 464-5711
Fax (559) 638-8700

**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

December 3, 2019

Board of Directors
Porterville Memorial District
Porterville, California

I 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 business-type activities of Porterville Memorial District as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 3, 2019.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Porterville Memorial 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I 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 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*, 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.

My 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 my audit I did not identify any deficiencies in internal control that I 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 Porterville Memorial District's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of the Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control or on 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.

*Sanborn and Sanborn
Accountancy Corporation*

CERTIFIED PUBLIC ACCOUNTANTS