



Memo

To: The Advisory Board of Directors

From: Ingrid S. Penney, Administrative Services Manager

Date: January 16, 2020

Subject: Final Audit Report for FY 2017-18

Introduction

Enclosed is the Independent Final Audit Report for District financial statements for the year ending June 30, 2018. The report was prepared by Fechter & Company, Certified Public Accountants. Included with the report are the Independent Auditor's Management Report which provides an overview of their responsibilities, opinions on the financial statements, consideration of the District internal controls and compliance with provisions of laws, regulations, contracts, and grant agreements.

Background

Fechter & Company, CPAs was selected to perform the audit of the District's financial statements for FY2017-18 due to availability, expertise and experience in the field. Fechter & Company, CPAs has prior governmental audit experience having audited many California cities, special districts (including several in our area), and non-profit organizations. The firm specialties include Audit/review/compilation services, tax compliance and consulting, and other general accounting and taxation consulting.

Discussion:

Fieldwork began in December 2018 and the Final Report was recently completed. During fieldwork, Fechter & Company reviewed the District's policies and procedures, minutes and resolutions, contracts and numerous financial records and related data.

Fechter & Company assisted with the preparation of the financial statements and related notes which were based upon our Trial Balance.

Scott German, CPA will attend the January 16, Regular Meeting to make a presentation and answer questions from the Advisory Board.

Recommendation:

Staff recommends that the Advisory Board receive, accept, and approve the Final Audit Report for the District financial statements for year ended June 30, 2018.

**CARMICHAEL RECREATION
AND PARK DISTRICT**
(A Component Unit of Sacramento County)

FINANCIAL REPORT
With Independent Auditor's Report Thereon

June 30, 2018

CARMICHAEL RECREATION AND PARK DISTRICT

Financial Report
June 30, 2018

Table of Contents

INDEPENDENT AUDITOR’S REPORT	1-2
MANAGEMENT’S DISCUSSION AND ANALYSIS	3-8
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statements of Net Position	9
Statements of Activities	10
FUND FINANCIAL STATEMENTS	
Balance Sheets - Governmental Funds	11
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statements of Net Position	12
Statements of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	13
Reconciliation of the Statements of Revenues, Expenditures, and Change in Fund Balances of Governmental Funds to the Statement of Activities	14
NOTES TO FINANCIAL STATEMENTS	15-31
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Information	
Statement of Revenues, Expenditures – General Fund Budget and Actual	32
Statement of Revenues, Expenditures, and Changes in Fund Balances of Park Maintenance and Improvement Assessment	33
Note to Required Supplementary Information - Budgetary Comparison Information	34
Required Supplementary Information – Pension	35

INDEPENDENT AUDITOR'S REPORT

Advisory Board of Directors
Carmichael Recreation and Park District
Carmichael, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of the Carmichael Recreation and Park 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 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the District, as of June 30, 2018 and the respective changes in financial position for the 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 the management's discussion and analysis, and budgetary comparison information as listed in the table of contents, 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 historic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Fechter & Company
Certified Public Accountants

Sacramento, California
January 15, 2020

Carmichael Recreation and Park District
Management's Discussion and Analysis
June 30, 2018

This section of the Carmichael Recreation and Park District's (the District) annual financial report presents an analysis of the District's financial performance during the fiscal year ended June 30, 2018. This information is presented in conjunction with the audited basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEARS 2017-2018

- The assets of the District exceeded liabilities at the close of the 2017-2018 fiscal year by \$13,906,388 (net position). Of this amount, \$607,941 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors, and \$9,194,824 is invested in capital assets.
- As of June 30, 2018, the district's governmental funds reported combined fund balances of \$1,172,510, of which \$777,198 is available to meet the District's current and future needs (unreserved fund balance).
- At the end of the fiscal year, the unreserved fund balance for the general fund was \$777,198 or approximately 17% of total general fund expenditures.
- The District had accumulated approximately \$1,143,723 from the parcel tax approved by voters. There are various litigations progressing through the courts that require that the District hold this money in reserve until they are resolved.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also includes additional required supplementary information in addition to the basic financial statements.

REQUIRED FINANCIAL STATEMENTS

Government-wide Financial Statements are designed to provide readers with a broad overview of District finances in a manner similar to a private-sector business.

The Statement of Net Position

This statement includes information on the District's assets and liabilities and provides information about the nature and amount of investments in resources (assets) and the obligations to District creditors (liabilities). 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.

Carmichael Recreation and Park District
Management's Discussion and Analysis
June 30, 2018

The Statements of Activities

This statement presents information showing how 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, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a portion of their costs through user fees and charges (business type activities). The governmental activities of the District are recreational and park activities. There are no business type activities.

Fund Financial Statements are groupings of related accounts that are 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 to demonstrate finance-related legal compliance. All of the funds of the District can be combined into one category: *governmental funds*.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The District has the following governmental funds:

- General Fund
- Park Maintenance and Improvement
- Park Impact Fees
- Parkland Dedication Trust

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 at the end of the fiscal year. Such information may be useful in evaluating the District's near-term requirements.

The District presents the following governmental fund statements

Balance Sheet

This statement includes information on the District's short-term assets and liabilities and provides information about the District's ability to finance its short term obligations with the use of current assets.

Carmichael Recreation and Park District
Management's Discussion and Analysis
June 30, 2018

Statements of revenues, expenditures and changes in fund balance

This statement presents information showing how fund balances changed during the most recent fiscal year. All changes in fund balances are reported on the modified accrual basis of accounting.

Reconciliation between the Fund and Government Wide Statements

Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate comparison between governmental funds and governmental activities.

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 financial decisions.

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. The notes to the financial statements can be found immediately following the basic financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the District's budgetary comparative information for the general fund and the District's post-employment benefit plan.

Carmichael Recreation and Park District
Management's Discussion and Analysis
June 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Condensed Statement of Net Position

At

June 30, 2018 and 2017

	2018	2017
Cash	\$ 2,016,763	\$ 2,190,304
Other assets	590,234	112,629
Capital assets, net	9,194,824	9,253,220
Deferred outflows of resources	2,104,567	1,208,328
Total assets	\$ 13,906,388	\$ 12,764,481
Accounts payable and accrued expenses	\$ 395,312	\$ 218,572
Accrued assessment payable	1,143,723	1,143,723
Current portion of long-term debt	-	-
Total current liabilities	1,539,035	1,362,295
Net pension liability	2,686,756	2,457,342
Deferred inflows of resources	930,699	-
Long term debt	135,159	142,990
Total liabilities	5,291,649	3,962,627
Net position	8,614,739	8,801,854
	\$ 13,906,388	\$ 12,764,481

CAPITAL ASSETS

During the year-ended June 30, 2018 the District completed renovations and improvements at the La Sierra Community center totaling approximately \$164,928 and at Carmichael Park for approximately \$13,978. In addition, work was started at Garfield House for \$24,930, at the Sutter Jensen Community Park for event space totaling \$62,128, and planning/design services for Bocce Ball courts in Carmichael Park totaling \$3,658.

LONG-TERM DEBT

During the year ended June 30, 2018 the District did not have any long-term debt.

Carmichael Recreation and Park District
Management's Discussion and Analysis
June 30, 2018

Condensed Statement of Activities
Fiscal Years Ended
June 30, 2018 and 2017

	2018	2017
Program revenues	\$ 2,198,675	\$ 2,109,255
Program expenses	4,583,574	4,250,922
Net program expense	(2,384,899)	(2,141,667)
Property taxes and assessments	1,952,360	1,842,975
Other revenues	245,424	354,742
Total general revenues	2,197,784	2,197,717
Change in net position	(187,115)	56,050
Net position – beginning of year	8,801,854	8,745,804
Net position – end of year	\$ 8,614,739	\$ 8,801,854

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's primary funding sources for ongoing operations are property tax revenues, leases/building rental income, and recreation services income. In FY 2017-18, the District experienced aggregate property tax growth of 6% and program growth of 5% over the previous year. The District acquired a new tenant at La Sierra Community Center, augmenting current and future tenant lease revenues.

The District made facility and operational improvements as well, including: Reclassifying several staffing positions and increasing staffing levels, expanding programs, and adding contracted landscape and janitorial services. The increased service levels were made possible by using a portion of the funds previously allocated for loan payments on the District's long-term debt, as all remaining debt was retired in FY 2016-17.

The District continued to implement the ten-year master plan for District facilities, programs, and parks through the areas of land acquisition, recreation facilities, recreation program services, operations, partnerships, and financing as noted above. Of special note, was the development of an event space at the Sutter Jensen Community Park, which was funded through a collaboration with the Carmichael Parks Foundation

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District continues to move forward with the recommendations made in the Consolidation Feasibility Study to achieve better efficiency and cost effectiveness of programs and operations, continuing to expand programs and improve services. With increased program funding, the District has set aside a larger Contingency/Reserves and allocated funding for its capital equipment replacement program.

The District's economic outlook continues to look promising with increases in the assessed valuation of the properties in the tax rate area and increases in program revenue, sufficient to meet current operational needs.

The loss of the special assessment continues to affect the District's ability to address its ageing infrastructure needs. This requires careful planning and management to address the current and future infrastructure needs and to implement the master plan improvements.

The District continues to work in partnership with other recreation and park districts, schools, the Carmichael Recreation and Park District Foundation, community organizations and service groups, business, and residents to address the mission of satisfy the recreational needs of the Community by providing a wide range of facilities and opportunities to enrich the quality of life.

This financial report is designed to provide the District's residents and other interested parties with an overview of the District's financial conditions and operations. More information can be found on the District's website at [www. http://carmichaelpark.com](http://carmichaelpark.com). Should the reader have questions, please contact the Carmichael Recreation and Park District, District Administrator, 5750 Grant Avenue, Carmichael, CA 95608, (916) 485-5322.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CARMICHAEL RECREATION AND PARK DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

ASSETS	
Cash and investments	\$ 2,016,763
Receivables	562,378
Capital assets:	
Nondepreciable	4,761,647
Depreciable, net of accumulated depreciation	4,433,177
Deposits held by others	27,856
TOTAL ASSETS	<u>11,801,821</u>
DEFERRED OUTFLOWS OF RESOURCES	2,104,567
LIABILITIES AND NET POSITION	
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 276,884
Accrued liabilities	80,440
Tenant deposits	28,110
Due to others	9,878
Accrued assessment payable	1,143,723
Total current liabilities	<u>1,539,035</u>
Noncurrent liabilities:	
Net pension liability	2,686,756
Compensated absences	135,159
Total noncurrent liabilities	<u>2,821,915</u>
TOTAL LIABILITIES	<u>4,360,950</u>
DEFERRED INFLOWS OF RESOURCES	930,699
Net Position	
Invested in capital assets, net of related debt	9,194,824
Restricted	27,856
Unrestricted	(607,941)
	<u>8,614,739</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$13,906,388</u>

The accompanying footnotes are an integral part of these financial statements

**CARMICHAEL RECREATION AND PARK DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	
Governmental Activities:					
Recreation	\$ 4,583,574	\$ 2,189,556	\$ 9,119	\$ -	\$ (2,384,899)
Total Governmental Activities	<u>\$ 4,583,574</u>	<u>\$ 2,189,556</u>	<u>\$ 9,119</u>	<u>\$ -</u>	<u>\$ (2,384,899)</u>
General Revenues:					
					1,953,692
					(1,332)
					23,056
					73,326
					129,092
					<u>19,950</u>
					2,197,784
					<u>(187,115)</u>
					<u>8,801,854</u>
					<u>\$ 8,614,739</u>

The accompanying footnotes are an integral part of these financial statements

FUND FINANCIAL STATEMENTS

**CARMICHAEL RECREATION AND PARK DISTRICT
BALANCE SHEET
JUNE 30, 2018**

	General Fund	Park Maintenance and Improvement Assessment	Park Impact Fees	Parkland Dedication Trust	Total Government Funds
ASSETS					
Cash and investments	\$ 619,955	\$ 778,767	\$ 359,137	\$ 258,904	\$ 2,016,763
Receivables	552,555	5,744	2,907	1,172	562,378
Deposits	-	27,856	-	-	27,856
TOTAL ASSETS	<u>\$ 1,172,510</u>	<u>\$ 812,367</u>	<u>\$ 362,044</u>	<u>\$ 260,076</u>	<u>\$ 2,606,997</u>
 LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 276,884	\$ -	\$ -	\$ -	\$ 276,884
Accrued liabilities	80,440	-	-	-	80,440
Tenant deposits	28,110	-	-	-	28,110
Due to others	9,878	-	-	-	9,878
Accrued assessment payable	-	1,143,723	-	-	1,143,723
Total liabilities	<u>395,312</u>	<u>1,143,723</u>	<u>-</u>	<u>-</u>	<u>1,539,035</u>
 FUND BALANCES					
Assigned	-	-	299,816	239,834	539,650
Unassigned	777,198	(331,356)	62,228	20,242	528,312
Total fund balances	<u>777,198</u>	<u>(331,356)</u>	<u>362,044</u>	<u>260,076</u>	<u>1,067,962</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,172,510</u>	<u>\$ 812,367</u>	<u>\$ 362,044</u>	<u>\$ 260,076</u>	<u>\$ 2,606,997</u>

The accompanying footnotes are an integral part of these financial statements

**CARMICHAEL RECREATION AND PARK DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO TH
GOVERNMENT-WIDE STATEMENTS OF NET POSITION
JUNE 30, 2018**

	2018
Fund Balances of Governmental Funds	\$ 1,067,962
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
Capital assets, net of accumulated depreciation, are not current financial resources and are not included in the governmental funds	9,194,824
Some liabilities, including compensated absences, and the net pension liability are not due and payable in the current period and therefore are not reported in the funds.	(2,821,915)
Deferred inflows and outflows of resources related to pensions are not accounted for in the fund financial statements	1,173,868
Net position of governmental activities	\$ 8,614,739

The accompanying footnotes are an integral part of these financial statements

CARMICHAEL RECREATION AND PARK DISTRICT
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED
JUNE 30, 2018

	General Fund	Park Maintenance and Improvement Assessment	Park Impact Fees	Parkland Dedication Trust	Total Government Funds
REVENUES					
Property taxes	\$ 1,953,692	\$ -	\$ -	\$ -	\$ 1,953,692
Special assessments	-	(1,332)	-	-	(1,332)
Intergovernmental	129,092	-	-	-	129,092
Impact and in-lieu fees	-	-	55,324	18,002	73,326
Charge for services and building	2,189,556	-	-	-	2,189,556
Grants and contributions	9,119	-	-	-	9,119
Investment earnings	2,860	11,052	6,904	2,240	23,056
Other revenue	19,950	-	-	-	19,950
Total general revenue	<u>4,304,269</u>	<u>9,720</u>	<u>62,228</u>	<u>20,242</u>	<u>4,396,459</u>
EXPENDITURES					
Salaries and benefits	2,416,948	-	-	-	2,416,948
Services and supplies	1,496,072	-	-	-	1,496,072
Capital outlay	356,115	-	-	-	356,115
Total expenditures/expenses	<u>4,269,135</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,269,135</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>35,134</u>	<u>9,720</u>	<u>62,228</u>	<u>20,242</u>	<u>127,324</u>
FUND BALANCES					
Beginning of year	<u>742,064</u>	<u>(341,076)</u>	<u>299,816</u>	<u>239,834</u>	<u>940,638</u>
End of year	<u>\$ 777,198</u>	<u>\$ (331,356)</u>	<u>\$ 362,044</u>	<u>\$ 260,076</u>	<u>\$ 1,067,962</u>

The accompanying footnotes are an integral part of these financial statements

**CARMICHAEL RECREATION AND PARK DISTRICT
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED
JUNE 30, 2018**

	2018
Net Change in Fund Balances - Total Governmental Funds	\$ 127,324
<p>Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:</p>	
Cost of assets capitalized	332,879
Depreciation expense	(391,275)
<p>Repayments of long-term debt and capital leases are reported as an expense in the fund financial statements but as a reduction of debt in the statement of net position</p>	
Changes in the net pension liability and related accounts	(263,874)
Changes in long-term compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in governmental funds.	7,831
Change in net position of governmental activities	<u>\$ (187,115)</u>

The accompanying footnotes are an integral part of these financial statements

CARMICHAEL RECREATION AND PARK DISTRICT

Notes to the Financial Statements June 30, 2018

NOTE 1 - DEFINING THE FINANCIAL REPORTING ENTITY

The Carmichael Recreation and Park District (the District) was organized in 1945 under the laws of the State of California, in accordance with the Public Resources Code section 5780. The District operates under the control of an Advisory Board of Directors appointed by the Sacramento County Board of Supervisors. The District is a component unit of Sacramento County, and, as such, is included within the County's financial reporting entity as a special revenue fund.

The District provides recreation and park community services to its citizens through its 13 park sites on 180 acres, a botanical garden, a 17 acre nature area, and a large community center.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below:

Basis of Presentation

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The District adopted the provisions of this statement along with GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus* (an amendment to GASB Statements No. 21 and No. 34), as of July 1, 2003. In June 2001, GASB issued Statement No. 38, *Certain Financial Statement Note Disclosures*, to reevaluate certain existing disclosure requirements in the context of reporting model statement No. 34. The District adopted the provisions of Statement No. 38 as of July 1, 2003. The Financial Statement presentation, as required by the GASB, provides a comprehensive, entity-wide perspective of the District's assets and liabilities, and replaces the fund-group perspective previously required. The District follows the primary government's "governmental activities" reporting requirements of the GASB that provides a comprehensive one-line look at the District's financial activities.

CARMICHAEL RECREATION AND PARK DISTRICT

Notes to the Financial Statements June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. 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 statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) the use of property for both short term and long-term use.

Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered a separate entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/equity, revenue, and expenditures or expenses, as appropriate. Government resources are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The funds are organized as follows:

Governmental Funds

General Fund – This is the primary general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – The District maintains the following Special Revenue funds:

Park Maintenance and Improvement Assessment Fund – This Fund was Establish by vote of the taxpayers in 2014. The purpose of this fund is to comply with the reporting and accounting requirements of the special assessment. This assessment was found to be illegal and has since been rescinded.

CARMICHAEL RECREATION AND PARK DISTRICT

Notes to the Financial Statements June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Park Impact Fund – Revenue received from real estate developers, property owners, and similar entities are required to pay a fee to the District for the additional financial impact placed upon the District from the additional usage to District Park and Recreational facilities as a result of their real estate project. This revenue source, restricted by enabling legislation, is to be expended in accordance with the provision of the enabling legislation.

Parkland Dedication Trust – The trust consists of in-lieu fees paid by developers of subdivisions within the boundaries of the District. The use of the funds is restricted under the Quimby Act for the purpose of providing park and recreation facilities to serve the population. These funds are accounted for in a special revenue fund for financial statement presentation.

Basis of Accounting and Measurement Focus

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

In the fund financial statements, all Governmental Funds and Agency Funds are accounted for using the modified accrual basis of accounting. Revenue is recognized when it becomes both measurable and available to finance the expenditures of the current period (susceptible to accrual). Major revenue sources susceptible to accrual include substantially all property taxes, taxpayer-assessed taxes (such as sales and use, utility users, business license, transient occupancy, franchise fees, and gas taxes), interest, special assessments levied, state and federal grants, and charges for current services. Revenue from licenses, permits, fines and forfeits is recorded as received. Expenditures are recorded when the related fund liability is incurred. Fiduciary Fund revenue and expenses or expenditures (as appropriate) are recognized on the basis consistent with the fund's accounting measurement objective.

All Governmental Funds are accounted for using a current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of "available

CARMICHAEL RECREATION AND PARK DISTRICT

Notes to the Financial Statements June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

spendable resources.” Governmental Fund operating statements present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they present a summary of sources and uses of “available spendable resources” during a period.

The government-wide financial statement is accounted for on a flow of economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their statement of net position.

Cash and Investments - Deposits in financial institutions, money market funds, and the County Treasurer’s investment pool are reported as cash and investments since funds can be spent at any time without prior notice or penalty. Investments are stated at fair value.

Receivables and Payables - Property, sales, and use taxes related to the current fiscal year are accrued as revenue and accounts receivable, and considered available if received within 60 days of fiscal year end. Federal and State grants are considered receivable and accrued as revenue when reimbursable costs are incurred under the accrual basis of accounting in the government-wide statement of net assets. The amount recognized as revenue under the modified accrual basis of accounting is limited to the amount that is deemed measurable and available. The District considers these taxes available if they are received during the period when settlement of prior fiscal year accounts payable and payroll charges normally occur. Grants, entitlements, or shared revenue are recorded as receivables and revenue in the general, special revenue, and capital projects funds when they are received or susceptible to accrual.

Due To/Due From Other Funds - Balances representing lending/borrowing transactions between funds outstanding at the end of the fiscal year are reported as either “due to/due from other funds” (amounts due within one year), “advances to/from other funds” (non-current portions of interfund lending/borrowing transactions), or “loans to/from other funds” (long-term lending/borrowing transactions as evidenced by loan agreements). Advances and loans to other funds are offset by a fund balance reserve in applicable Governmental Funds to indicate they are not available for appropriation, and are not expendable available financial resources.

Allowance for Doubtful Accounts - Management has elected to record bad debts using the direct write-off method. Accounting principles generally accepted in the United States of America require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

CARMICHAEL RECREATION AND PARK DISTRICT

Notes to the Financial Statements June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICES – continued

Property Taxes - Property taxes in the State of California are administered for all local agencies at the County level and consist of secured, unsecured, and utility tax rolls. The following is a summary of major policies and practices relating to property taxes:

Property Valuations - are established by the Assessor of Sacramento County for the secured and unsecured property tax rolls; the utility property tax roll is valued by the California State Board of Equalization. Under the provisions of Article XIII A of the State Constitution (Proposition 13, adopted by the voters on June 6, 1978), properties are assessed at 100% of full value. From this base of assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increase to full value is allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations and is subject to annual reappraisal.

Tax Levies - are limited to 1% of full assessed value, which results in a tax rate of \$1.00 per \$100 assessed valuation under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.

Tax Levy Dates - are attached annually on January 1, preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

Tax Collections - are the responsibility of the Sacramento County's tax collector. Taxes and assessments on secured and utility rolls, which constitute a lien against the property, may be paid in two installments: The first is due on November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the County for late payments.

Tax Levy Apportionments - due to the nature of the District-Wide maximum levy, it is not possible to identify general-purpose tax rates for specific entities. Under State legislation adopted subsequent to the passage of Proposition 13, apportionments to local agencies are made by each County Auditor- Controller based primarily on the ratio that each agency represented of the total District-Wide levy for the three fiscal years prior to fiscal year 1979.

CARMICHAEL RECREATION AND PARK DISTRICT

**Notes to the Financial Statements
June 30, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICES – continued

Property Tax Administration Fees - the State of California fiscal year 1990-91 Budget Act authorized Counties to collect an administrative fee for its collection and distribution of property taxes.

Capital Assets - Capital assets are reported in the government-wide statement of net position. Capital assets are stated at historical cost, when available, and at estimated replacement cost when original cost was not available. Donated assets are stated at estimated market value at date of donation. The District generally follows Sacramento County's policy to capitalize all capital assets with costs exceeding a minimum threshold of \$10,000. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, which range from five to fifty years.

Compensated Absences - Compensated absences represent the vested portion of accumulated vacation/other time. The District's method of calculating the liability is in accordance with GASB Statement No. 16, except that additional accruals for salary-related payments associated with the payment of compensated absences, for example, the employer's share of pension contributions, social security, and Medicare taxes, have not been accrued as that amount is not considered significant or material to the financial statements taken as a whole.

Use of Estimates - Financial statement preparation, in conformity with accounting principles generally accepted in the United States of America, requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Long-Term Obligations - In the government-wide financial statements, long-term debt and obligations are reported as liabilities in the applicable statement of net position. Bond premiums, issuance costs, and discounts are deferred and amortized over the life of the bond. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources.

CARMICHAEL RECREATION AND PARK DISTRICT

**Notes to the Financial Statements
June 30, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICES - continued

Net Position and Fund Balances - Net position designations are classified on the government-wide statement of net position as follows:

Invested in capital assets, net of related debt - represents the District's total investment in capital assets reduced by any outstanding debt used to acquire these assets.

Restricted net position - includes resources that the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted net position - represents resources derived from sources without spending restrictions, are used for transactions relating the general operations of the District, and may be used at the discretion of those charged with governance to meet current expenses or obligations for any purpose.

Fund balance designations are classified on the governmental funds balance sheet as follows:

- Nonspendable - amounts that cannot be spent because they are either (a) legally or contractually required to be maintained intact, or (b) not in spendable form
- Restricted - amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- Committed - amounts that can be used only for the specific purposes determined by a formal action of the Board, to establish, modify, or rescind a fund balance commitment.
- Assigned - amounts that are constrained by the government's intent to be used for specific purposes but do not meet the criteria to be classified as restricted or committed, as determined by a formal action or policy of the Board or its appointed official.
- Unassigned - the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Major Funds - The District's Major Funds are as follows:

General Fund - this fund is used to account for the general operations of the District, and is used to account for all financial resources except those required to be accounted for in another fund.

- Parkland Dedication Trust
- Park Impact Fee
- Special Assessment

CARMICHAEL RECREATION AND PARK DISTRICT

Notes to the Financial Statements June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICES - continued

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - The District follows these procedures annually in establishing the budgetary data reflected in the financial statements:

The District Advisory Board approves and recommends a preliminary budget annually each spring, which the County Board of Supervisors adopts in June concurrent with the adoption of the County's preliminary budget.

The County conducts public hearings on the proposed budget to obtain comments from interested persons.

The District Advisory Board then approves the County's preliminary budget, which is generally finalized in August by the County. The final budget is then adopted in September.

From the effective date of the budget, which is adopted and controlled at the department level, the amounts stated therein as proposed expenditures become appropriations to the various District departments. The County Board of Supervisors may amend the budget by resolution during the fiscal year.

Economic Dependency - In the 2018 fiscal year the received 44% of its revenues from property taxes. Any reduction in assessed property values or reductions in the District's property tax share due to the State's ongoing budget crisis could have serious consequences to the District's operating budget.

Revenue Limitations Imposed By California Proposition 218 - Proposition 218, which was approved by the voters in November 1996, regulates the District's ability to impose, increase, and extend taxes, assessments, and fees. Any new, increased, or extended taxes, assessments, and fees subject to the provisions of Proposition 218 require voter approval before they can be implemented. Additionally, Proposition 218 provides that these local taxes, assessments, or fees are subject to the voter initiative process and may be rescinded in future years by the voters.

TRANSFERS

Operating transfers are transactions to allocate resources from one fund to another fund not contingent on the incurrence of specific expenditures in the receiving fund. Interfund transfers are generally recorded as operating transfers in and operating transfers out in the same accounting period.

CARMICHAEL RECREATION AND PARK DISTRICT

**Notes to the Financial Statements
June 30, 2018**

NOTE 3 - CASH AND INVESTMENTS

The District follows the practice of pooling cash and investments of all funds except for restricted funds required to be held by outside custodians, fiscal agents, or trustees under the provisions of bond indentures. Cash and investments at year-end are classified in the accompanying financial statements as follows:

	<u>2018</u>
Deposits with financial institutions:	
Imprest cash	\$ 500
Country investment pool	<u>2,016,263</u>
	<u><u>\$ 2,016,763</u></u>

Investment in County Investment Pool - The District is an involuntary participant in the Sacramento County Department of Finance investment pool. Investments are stated at fair value. The County investment pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by section 27134 of the California Government Code.

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.

Concentration of Credit Risk - The District does not have its own investment policy but follows the allowable investments guidelines under section 53635 of the California Government Code. Substantially all of the District's cash and investments at June 30, 2018 were invested with the County pool.

CARMICHAEL RECREATION AND PARK DISTRICT

Notes to the Financial Statements June 30, 2018

NOTE 3 - CASH AND INVESTMENTS - continued

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 Sacramento County investment pool does not have a rating provided by a nationally recognized statistical rating organization.

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 and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: "the California Government Code requires that a financial institution secure deposits made by state or local governmental 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 law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2018, the District had \$-0- that was not covered by depository insurance but collateralized by either marketable securities, first trust deed mortgage notes, or a combination of both.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. 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.

CARMICHAEL RECREATION AND PARK DISTRICT

**Notes to the Financial Statements
June 30, 2018**

NOTE 4 - CAPITAL ASSETS

The following is a summary of the District's capital assets as reported in the Governmental-Wide financial statements for year-ended June 30, 2018:

	<u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclass</u>	<u>June 30, 2018</u>
Non-depreciable Assets					
Land	\$ 4,621,519	-	-	\$ -	\$ 4,621,519
Construction-in-progress	142,445	69,584	-	(71,901)	140,128
Total non-depreciable	<u>4,763,694</u>	<u>69,584</u>	<u>-</u>	<u>(71,901)</u>	<u>4,761,647</u>
Buildings	4,561,910	188,658	-	-	4,750,568
Structures	5,718,413	13,978	-	71,901	5,804,292
Improvements	1,338,785	-	-	-	1,338,785
Equipment	886,970	60,659	(124,858)	-	822,771
Total depreciable assets	<u>12,506,078</u>	<u>263,295</u>	<u>(124,858)</u>	<u>71,901</u>	<u>12,716,416</u>
Accumulated depreciation	<u>(8,016,822)</u>	<u>(391,275)</u>	<u>124,858</u>	<u>-</u>	<u>(8,283,239)</u>
Net depreciable assets	<u>4,489,256</u>	<u>(127,980)</u>	<u>-</u>	<u>71,901</u>	<u>4,433,177</u>
Total assets, net	<u>\$ 9,253,220</u>	<u>\$ (58,396)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,194,824</u>

Depreciation expense was recorded in recreation activities and amounts to \$391,275 in the 2018 fiscal year.

NOTE 5 - LONG-TERM OBLIGATIONS

The following is the District's long-term debt and obligations activity as reported in the Governmental-Wide financial statements:

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Paydowns</u>	<u>Balance June 30, 2018</u>
Compensated Absences	\$ 142,990	\$ -	\$ 7,831	\$ 135,159
Total long term obligations	<u>\$ 142,990</u>	<u>\$ -</u>	<u>\$ 7,831</u>	<u>\$ 135,159</u>

Compensated Absences

The District employees accumulate earned but unused vacation benefits, which can be converted to cash at termination of employment. No expenditure is reported for these amounts in the governmental funds financial statements. However, in the statement of activities, vested compensated absences are recorded and expensed in accordance with collective bargaining agreements at year end was reported in the statement of net position.

CARMICHAEL RECREATION AND PARK DISTRICT

Notes to the Financial Statements June 30, 2018

NOTE 6 - DEFINED BENEFIT PENSION PLAN

Plan Description - The Carmichael Recreation and Park District contributes to the Sacramento County Employees Retirement System (SCERS), a multiple-employer, cost sharing public employee pension plan. SCERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Copies of SCERS annual financial report may be obtained from their Administrative Office, 980 – 9th Street, Suite 1800, Sacramento, California 95814 and is available on the County System’s web site: <http://www.scers.org>.

Funding Policy - Contributions to the plan are made pursuant to Section 31584 of the County Employees Retirement Law of 1937. The System’s funding policy provides for periodic contributions at actuarially-determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate adequate assets to pay benefits when due. Members of the System are required to contribute between 1.86% and 14.22% of their annual covered salary. The District is obligated by state law to make all required contributions to the plan, ranging from 22.02% to 28.26% of covered payroll. The required contributions include current service cost and amortization of prior service cost over a 30-year closed amortization period with 21 years remaining as of June 30, 2018. Employer contribution rates are determined using the entry age normal funding method based on a level percentage of payroll. The System also uses this actuarial method to amortize the unfunded liability, if applicable. The contributions made for the 2018 year to SCERS were \$288,185.

At June 30, 2018, the District reported net pension liabilities of \$2,686,756 in the Statement of Net Position for its proportionate share of the net pension liability for each fiscal year. The net pension liabilities were measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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 Pension Plan participants, which was actuarially determined. For the fiscal year ended June 30, 2018 the District recognized pension expense of \$552,029 in its Government-Wide financial statements. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions, and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits.

CARMICHAEL RECREATION AND PARK DISTRICT

**Notes to the Financial Statements
June 30, 2018**

NOTE 6 - DEFINED BENEFIT PENSION PLAN - continued

Actuarial Methods and Assumptions - The District's annual pension cost for the year ended June 30, 2018 and required and actual contributions were determined as part of the June 30, 2018 actuarial valuations using the entry age normal actuarial cost method. The major actuarial assumptions were as follows:

- Discount/investment rate of return – 7%, net of investment expenses
- Inflation Rate – 3%
- Projected salary increases – 1.25 to 7.5%
- Cost of Living Adjustments – 0 – 3%

The long-term expected rate of return on pension plan investments (7.5%) was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges 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 and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	22.5%	5.98%
International Equity	22.5%	7.23%
Fixed Income	20.0%	1.25%
Hedge Funds	10.0%	3.20%
Private Equity	10.0%	12.82%
Real assets	15.0%	5.64%

The discount rate used to measure the total pension liability was 7 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension fund's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. In theory, the discount rate may differ from the long-term expected rate of return discussed previously. However, based on the projected availability of the pension fund's fiduciary net position, the discount rate is equal to the long-term expected rate of return on pension plan investments, and was applied to all periods of projected benefit payments to determine the total pension liability.

CARMICHAEL RECREATION AND PARK DISTRICT

**Notes to the Financial Statements
June 30, 2018**

NOTE 6 - DEFINED BENEFIT PENSION PLAN – continued

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	1% Decrease 6%	Discount Rate 7%	1% Increase 8%
District’s proportionate share of the net pension plan liability:			
2018 fiscal year	4,627,352	2,686,756	1,102,896

Detailed information about the pension fund’s fiduciary net position is available in the separately issued SCERS comprehensive annual financial report, which may be obtained by contacting SCERS.

NOTE 7 - DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Pursuant to GASB Statement No. 63, the District recognized deferred outflows of resources in the government-wide and proprietary fund statements. These items are a consumption of net position by the District that is applicable to a future reporting period.

The District has one item that is reportable on the Government-Wide Statement of Net Position as Deferred Outflows of Resources, which is related to pensions that are the retirement premiums for the 2018 fiscal years, which will be recognized in a subsequent reporting period. The total for this was \$288,185. These were the employer contributions for the 2018 fiscal year.

The District is also reporting deferred outflows of resources relating to differences between projected and actual investment earnings, change in employer proportions, and differences between the employer’s contributions and their proportionate share of contributions. The sum total of these amounts at the 2018 fiscal year-end was \$1,816,382, and they will be amortized over a 3.8 year period.

The District also recognized deferral inflows of resources in the government-wide financial statements. These are related to differences between expected and actual experience, changes of assumptions, and differences between employer’s contributions and the District’s proportionate share of contributions. This amount totaled \$930,699 and will be amortized over a 3.8 year period.

CARMICHAEL RECREATION AND PARK DISTRICT

**Notes to the Financial Statements
June 30, 2018**

NOTE 7 - DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES - continued

Under the modified accrual basis of accounting, it is not enough that revenue is earned; it must also be available to finance expenditures of the current period. Governmental funds will therefore include deferred inflows of resources for amounts that have been earned but are not available to finance expenditures in the current period.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 218,851
2020	407,044
2021	259,521
2022	267
Total	<u>\$ 885,683</u>

NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description - The plan is a single-employer plan and it does not issue a publicly available report. Sacramento County provides medical insurance and dental insurance, and subsidy/offset payments as authorized by the Board of Supervisors on an annual basis. The Board of Supervisors must approve the benefit annually or it is terminated. All annuitants are eligible to enroll in a retiree medical and/or dental insurance plan in a given calendar year if (1) they began receiving a continuing retirement allowance from SCERS during that calendar year, or (2) they were enrolled in the annual plan previously approved by the County, or (3) they previously waived coverage but elected to enroll during the County authorized enrollment period with a coverage date effective January of the given calendar year (continuous coverage). The Public Employment Relations Board (PERB) ruled on complaints filed by several Recognized Employee Organizations (REOs) challenging the County's elimination of the subsidy for County retirees approved by the Board of Supervisors June 5, 2007, and effective January 1, 2008. On June 30, 2009, the PERB decision ordered the County to (1) cease and desist from implementing the subsidy elimination; (2) rescind the changes in eligibility; and (3) make whole the affected parties. On March 11, 2010, the 3rd District Court of Appeals declined the County's request to review the PERB decision. Annuitants who retired on or before May 31, 2007, as well as those Recognized Employee Organizations (REOs) who filed suit are eligible for the monthly medical premium subsidy. If the annuitant met the eligibility criteria to receive a subsidy absent a retirement date of June 1, 2007, or later, the retiree will only receive a subsidy if retired from one of the REOs who filed the complaint with PERB. Annuitants who retired after May 31, 2007, and were not in an REO that filed suit are not eligible for this subsidy.

CARMICHAEL RECREATION AND PARK DISTRICT

Notes to the Financial Statements June 30, 2018

NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – continued

The amount of any medical subsidy/offset payments made available to eligible annuitants shall be calculated based upon the annuitant's Sacramento County Employees Retirement System (SCERS) service credit. For calendar year 2013, the Sacramento County Board of Supervisors approved a monthly subsidy of \$40 to each subsidy-eligible retiree receiving a benefit from the Sacramento County Retirement System of less than \$2,000 (dollars not expressed in thousands). Neither SCERS nor the County guarantees that a subsidy/offset payment will be made available to annuitants for the purchase of County-sponsored medical and/or dental insurance. Subsidy/offset payments are not a vested benefit of County employment or SCERS membership. The amount of the subsidy/offset payment, if any, payable on account of enrollment in a County sponsored retiree medical and/or dental insurance plan shall be established within the sole discretion of the Board of Supervisors. The District follows the County's policy on the subsidy amount.

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District is a member of the California Association for Park and Recreation Indemnity (CAPRI), an established public entity risk pool that operates as a common risk management and insurance program for government members. This policy covers the District's general liability, property, and equipment located in Carmichael, California. The District pays an annual premium to the pool for its worker's compensation, excess workers compensation, property, and general coverages.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

The District occasionally receives funding from a number of federal, state and local grant programs. These programs are subject to financial and compliance review by grantors. Accordingly, the District's compliance with applicable grant requirements will be determined at some future date. Expenditures, if any, which may be disallowed by the granting agencies, cannot be determined at this time. The District does not expect the undeterminable amounts of disallowed expenditures, if any, to materially affect the financial statements. Receipt of this federal, state and local grant revenue is not assured in the future.

The District had an assessment approved that first took effect for the 2015 fiscal year. The assessment was ruled to be illegal and funds were to be returned to taxpayers. District taxpayers were required to apply for the refunds. The application process commenced during the 2017 fiscal year. The statute for the application to be valid runs through June 30, 2018 for the 2015 fiscal year and 2019 for the 2016 fiscal year. The District has reserved the full

CARMICHAEL RECREATION AND PARK DISTRICT

**Notes to the Financial Statements
June 30, 2018**

NOTE 10 - COMMITMENTS AND CONTINGENCIES - continued

amount of the assessment collected as a liability on its 2018 fiscal year financial statements in the amount of \$1,143,723. As of the end of the 2018 fiscal year, approximately \$172,000 had been returned to taxpayers.

NOTE 11 - SUBSEQUENT EVENTS

The management of the District has reviewed the results of operations for the period from its years ending June 30, 2018 through January 15, 2020, the date the financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**CARMICHAEL RECREATION AND PARK DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
GENERAL FUND
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 1,895,900	\$ 1,895,900	\$ 1,953,692	\$ 57,792
Intergovernmental	371,182	371,182	129,092	(242,090)
Charge for services and building	2,109,716	2,109,716	2,189,556	79,840
Investment earnings	-	-	2,860	2,860
Other revenue	57,500	57,500	19,950	(37,550)
Total general revenue	<u>4,434,298</u>	<u>4,434,298</u>	<u>4,295,150</u>	<u>(139,148)</u>
EXPENDITURES				
Salaries and benefits	2,665,628	2,665,628	2,416,948	(248,680)
Services and supplies	1,619,316	1,619,316	1,496,072	(123,244)
Capital outlay	715,683	715,683	356,115	(359,568)
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures/expenses	<u>5,000,627</u>	<u>5,000,627</u>	<u>4,269,135</u>	<u>(731,492)</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>\$ (566,329)</u>	<u>\$ (566,329)</u>	<u>\$ 26,015</u>	<u>\$ 592,344</u>

The accompanying footnotes are an integral part of these financial statements

CARMICHAEL RECREATION AND PARK DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
PARK MAINTENANCE AND IMPROVEMENT ASSESSMENT
BUDGET AND ACTUAL
FOR THE YEAR ENDED
June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive
				(Negative)
REVENUES				
Special assessments	-	-	(1,332)	\$ (1,332)
Intergovernmental	-	-	-	-
Investment earnings	4,500	-	11,052	11,052
Other revenue	-	-	-	-
Total general revenue	<u>4,500</u>	<u>-</u>	<u>9,720</u>	<u>9,720</u>
EXPENDITURES				
Salaries and benefits	-	-	-	-
Services and supplies	715,974	715,974	-	(715,974)
Capital outlay	63,317	63,317	-	(63,317)
Total expenditures/expenses	<u>779,291</u>	<u>779,291</u>	<u>-</u>	<u>(779,291)</u>
EXCESS (DEFICIT) OF REVENUES				
OVER EXPENDITURES	<u>\$ (774,791)</u>	<u>\$ (779,291)</u>	<u>\$ 9,720</u>	<u>\$ 789,011</u>

The accompanying footnotes are an integral part of these financial statements

CARMICHAEL PARK AND RECREATION DISTRICT
Note to Required Supplementary Information – Budgetary Comparison Information
June 30, 2018

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

- At a regular meeting, several months prior to the close of each fiscal year, the District Administrator submits to the District Advisory Board of Directors a proposed preliminary budget for the fiscal year commencing the following July 1. The preliminary budget includes proposed revenue and expenditures.
- The preliminary budget is submitted to the County. In June, public hearings are conducted at a regular meeting held by the County Board of Supervisors to receive taxpayer comments prior to adoption of the District preliminary budget as part of the County Budget process.
- At a regular meeting, in August, the final budget is tentatively adopted through the District Advisory Board of Directors. The final budget is submitted to the County.
- In September, public hearings are held by the County of Sacramento to receive taxpayer comments prior to final budget adoption. The budget becomes legally authorized when it is subsequently approved by the Sacramento County Board of Supervisors by resolution during final budget hearings.
- The District Administrator is authorized to transfer budget amounts within and between services and supplies, other charges (principal and interest on long term debt), and capital expenditure accounts in the general fund as deemed desirable and necessary in order to meet the District's needs; however, revisions that affect salaries and employee benefits, contingency, and/or reserve accounts or which alter the total expenditures must be approved by the Sacramento County Board of Supervisors.
- Budgets are adopted on a basis consistent with generally accepted governmental accounting principles. Budgeted amounts presented are as originally adopted and as further amended.

CARMICHAEL PARK AND RECREATION DISTRICT
Required Supplementary Information - Pensions
June 30, 2018

Carmichael Recreation and Park District – Schedule of the District’s proportionate share of the Net Pension Liability:

Last 10 Fiscal years*:

	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>
District’s proportion of the net pension liability	.119%	.140%	.128%
District’s proportionate share of the net pension liability	1,373,257	2,457,342	2,686,756
District’s covered employee payroll	1,096,000	1,138,000	1,039,000
District’s proportionate share of the net pension liability as a percentage of its covered-employee payroll	125.30%	215.94%	258.59%
Plan Fiduciary net position as a percentage of the total pension liability	89.46%	83.21%	82.52%

* Amounts presented above were determined as of 6/30. Additional years will be presented as they become available.

Schedule of District contributions

Last 10 Fiscal Years*:

	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>
Actuarially determined contribution	\$ 325,000	\$ 310,000	\$ 275,000
Total actual contributions	(325,000)	(310,000)	(275,000)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District’s covered-employee payroll	\$ 1,096,000	\$ 1,138,000	\$ 1,039,000
Contributions as a percentage of covered employee payroll	29.65%	27.24%	26.47%

**CARMICHAEL RECREATION
& PARK DISTRICT**

MANAGEMENT REPORT

FOR THE YEAR ENDED JUNE 30, 2018

CARMICHAEL RECREATION & PARK DISTRICT

Management Report
For the Year Ended June 30, 2018

Table of Contents

	<u>Page</u>
Introduction.....	1
Required communication	2-5

Board of Directors of the
Carmichael Recreation & Park District
Carmichael, California

In planning and performing our audit of the financial statements of the Carmichael Recreation & Park District for the year ended June 30, 2018, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that errors or irregularities in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We will review the status of these comments during our next audit engagement. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. We thank the District's staff for its cooperation on this audit.

Fechter & Company
Certified Public Accountants

January 15, 2020
Sacramento, California

The Auditor's Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether the District financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Internal Control Related Matters

In any smaller entity, whether private enterprise or a governmental agency, the lack of segregation of duties can present potential issues in regards to the perpetuation and concealment of fraud. Even with a perfect segregation of duties frauds can be perpetuated and concealed. The District can perform some specific control procedures to help reduce the risk of fraud, however. Some of the controls would include:

- Having someone independent of the accounting function review the County compass reports on a monthly basis.
- Examining a budget to actual report on a frequent basis.
- Comparing the financial statements on a detailed level to the prior year on a frequent basis.
- Requiring someone independent of the payroll process review payroll on a bi-weekly basis, checking for accuracy of pay rates, paid time off recorded, etc.

- Verifying that a second person is approving all disbursement activity and that an individual independent of the accounting function is signing checks and asking questions about invoices presented for payment.
- Frequently displaying “professional skepticism” when considering staff responses on District finances.

California Government Code Section 12422.5 requires the State Controller’s office to develop internal control guidelines applicable to each local agency by January 1, 2015. The intent of the legislation is to assist local agencies in establishing a system of internal control to safeguard assets and prevent and detect financial errors and fraud. To this end, the State Controller’s Office has produced a draft of control guidelines for local Agencies. As the District contemplates changes to its system of internal control, we advise in utilizing these guidelines when developing internal procedures to assist with your internal control processes.

The State Controller’s office has defined internal controls into five components that work together in an integrated framework. Their guidelines were adopted from the definitions and descriptions contained in *Internal Control – Integrated Framework*, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The components are:

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring Activities

The objective of *control environment* is the set of standards, processes, and structures that provided the basis for carrying out internal control across the entity. The governing board and management establish the “tone at the top” regarding the importance of internal control, including expected standards of conduct which then cascade down through the various levels of the organization and have a strong effect on the overall system of internal control.

A District’s *Risk Assessment* process includes how management identifies risks (including fraud risk) relevant to the preparation and fair presentation of the financial statements in accordance with the District’s applicable financial reporting framework. In addition, this would also involve areas of business and operational risk which could potentially affect the District’s finances on a go-forward basis.

The District’s risk assessment process is an extremely important activity the board and management should undertake. Every organization, public or private, faces business risks on a day to day basis. Identifying those risks and then acting on them in a timely manner may prevent future problems from becoming completely unmanageable.

Management should consistently attempt to identify risks that exist and then present those risks to the board for action. It is impossible for us to identify every potential risk that exists but either way, management and the board should proactively attempt to identify risks that could adversely affect the District's operations.

Control Activities are in reference to establishing policies and procedures that achieve management directives and respond to identified risks in the internal control system. These are specific procedures designed to perform a secondary review of internal processes that will allow for segregation of duties and a management level review of processed transactions.

Information and Communication are the District's methods of identifying what information is relevant to present to management and the board to assist the District in making the correct decisions. It also is in reference to the District's internal processes of gathering and summarizing that information.

Monitoring involves evaluating the effectiveness of controls on an on-going basis and taking remedial actions when necessary when identified by the other control procedures in place. On-going monitoring activities often are built into the normal recurring activities of a local government and include regular management and supervisory activities.

There is no catch-all for finding all instances of fraud within any entity, whether public or private. One of the key factors in helping prevent fraud is to encourage ethical behavior at all levels of the organization, i.e., "tone at the top". Another key would be to note instances of abnormal behavior of finance or accounting staff when questioned about District financial matters.

The District should remember that they have outside resources available in the case of fraud – they are able to contact District auditor, their attorney, or county auditor-controller should anyone feel there is a chance of fraud or abuse.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements were:

- Accrual and disclosure of compensated absences
- Capital asset lives and depreciation expense
- PERS actuarial study to estimate the annual retired contribution
- Actuarial study to estimate annual retired contribution for post-employment benefits

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the District's financial reporting process (that is, cause future financial statements to be materially misstated). The following audit adjustments, in our judgment, indicate matters that could have a significant effect on the District's financial reporting process:

- We recorded an adjustment to record additional claims payable in the amount of \$64,532.
- We recorded an adjustment to properly state accrued payroll at year-end.
- We recorded an adjustment to the net pension liability of the District.
- We recorded all GASB 34/government-wide adjustments on behalf of the District.

During the 2018 fiscal year District staff noticed that the county of Sacramento was inadvertently deducting payroll expenses by recording a debit to payroll liability and a credit to cash. District staff informed the County Auditor-Controller's staff of this and they worked diligently to correct the mis-statement.

The mis-statement had not been corrected by the end of the 2018 fiscal year and thus this required an adjusting journal entry in the amount of \$431,937. This represented an amount due from the county of \$371,241 at year-end. The District does not typically have large balances in accounts receivable but due to this error, the balances were large as of the end of this fiscal year under audit. The county of Sacramento continues to experience issues with its payroll system and is working to resolve them.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Auditors

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However,

these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.