

ORANGEVALE RECREATION AND PARK DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2018

ORANGEVALE RECREATION AND PARK DISTRICT

Table of Contents

Independent Auditor’s Report.....1

Basic Financial Statements:

 Government-Wide Financial Statements:

 Statement of Net Position.....3

 Statement of Activities.....4

 Fund Financial Statements

 Governmental Funds:

 Balance Sheet.....5

 Reconciliation of the Governmental Funds Balance Sheet to the
 Government-Wide Statement of Net Position – Governmental Activities.....6

 Statement of Revenues, Expenditures and Changes in Fund Balances.....7

 Reconciliation of the Statement of Revenues, Expenditures and Changes
 In Fund Balances of Governmental Funds to the Government-Wide
 Statement of Activities – Governmental Activities.....8

Notes to the Financial Statements.....9

Required Supplementary Information:

Budgetary Comparison Schedules:

 General Fund.....23

 Landscape and Lighting.....24

 Schedule of the District’s Proportionate Share of the Net Pension Liability.....25

 Schedule of the District Pension Contributions.....26

Note to the Required Supplementary Information.....27

LARRY BAIN, CPA

An Accounting Corporation

2148 Frascati Drive, El Dorado Hills, CA 95762 / 916.601-8894

lpbain@sbcglobal.net

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Orangevale Recreation and Park District
Orangevale, CA

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Orangevale Recreation and Park District as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively make up the 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 the 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.

Auditors' Responsibility

Our Responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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

Opinion

In our opinion the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Orangevale Recreation and Park District as of June 30, 2018, and the changes in financial position, of those activities and funds for the fiscal year then ended in conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

The Orangevale Recreation and Park District has not presented the Management Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The required supplementary information other than MD&A, as listed in the table of contents as the budgetary comparison for the General fund and landscape and lighting assessment district on pages 23 and 24 the Orangevale Recreation and Park District Employees' Retirement System Schedule of the District's Proportionate Share of the Net Position Liability and the Retirement System Schedule of the District's Contributions on pages 25 and 26; 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 (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency 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.

Larry Bain, CPA,
An Accounting Corporation
January 4, 2019

ORANGEVALE RECREATION AND PARK DISTRICT

**STATEMENT OF NET POSITION
JUNE 30, 2018**

	<u>Governmental Activities</u>
Assets	
Cash and investments	\$ 2,169,294
Prepaid expense	15,117
Due from other government	224,891
Restricted cash and investments	576,507
Capital assets:	
Land	6,212,723
Construction in progress	234,031
Land improvements	2,735,647
Buildings and improvements	4,630,980
Equipment	928,381
Less: accumulated depreciation	<u>(4,324,503)</u>
Capital assets-net	<u>10,417,259</u>
Total Assets	<u>13,403,068</u>
Deferred Outflows of Resources	
Deferred outflows-pensions	<u>1,078,070</u>
Liabilities	
Current liabilities:	
Claims payable	89,093
Accrued wage	61,137
Deposits	2,100
Accrued interest	8,437
Due within one year	84,560
Non-current liabilities:	
Due in more than one year	<u>1,716,842</u>
Total Liabilities	<u>1,962,169</u>
Deferred Inflows of Resources	
Deferred inflows-pensions	<u>500,173</u>
Total Deferred Inflows of Resources	<u>500,173</u>
Net Position	
Net investment in capital assets	10,144,565
Unrestricted	<u>1,874,231</u>
Total Net Position	<u><u>\$ 12,018,796</u></u>

The notes to the financial statements are an integral part of this statement

ORANGEVALE RECREATION AND PARK DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Functions/programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Change in Net Position Governmental Activities
Governmental Activities					
Community services/recreation	\$ 2,451,031	\$ 612,769	\$ 5,374	\$ 660,182	\$ (1,172,706)
Interest on long-term debt	14,619	-	-	-	(14,619)
Total Governmental Activities	\$ 2,465,650	\$ 612,769	\$ 5,374	\$ 660,182	(1,187,325)

General Revenues:

Taxes:

Property tax, levied for general purposes	1,353,912
Investment income	32,700
Other	3,533
Total general revenues	1,390,145
Change in net position	202,820
Net position - beginning	11,815,976
Net position - ending	\$ 12,018,796

The notes to the financial statements are an integral part of this statement

ORANGEVALE RECREATION AND PARK DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018**

	Major Funds			Non-Major Funds		Total Governmental Funds
	General Fund	Orangevale Landscape & Lighting District	Park Development Fees	Developer In-Lieu Fees	Kenneth Grove Assessment District	
Assets						
Cash and investments	\$ 1,407,589	\$ 745,085	\$ -	\$ -	\$ 16,620	\$ 2,169,294
Prepaid expense	15,117					15,117
Due from other government	215,618	4,900	3,539	727	107	224,891
Restricted cash and investments	-	-	477,791	98,716	-	576,507
Total Assets	\$ 1,638,324	\$ 749,985	\$ 481,330	\$ 99,443	\$ 16,727	\$ 2,985,809
Liabilities						
Claims payable	\$ 39,997	\$ 49,095	\$ -	\$ -	\$ -	\$ 89,092
Accrued payroll	61,137					61,137
Deposits	2,100	-				2,100
Total Liabilities	103,234	49,095	-	-	-	152,329
Fund Balances						
Restricted	-	-	481,330	99,443	-	580,773
Assigned	910,514	700,890	-	-	16,727	1,628,131
Unassigned	624,576	-	-	-	-	624,576
Total Fund Balances	1,535,090	700,890	481,330	99,443	16,727	2,833,480
Total Liabilities and Fund Balances	\$ 1,638,324	\$ 749,985	\$ 481,330	\$ 99,443	\$ 16,727	\$ 2,985,809

The notes to the financial statements are an integral part of this statement

ORANGEVALE RECREATION AND PARK DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

Fund Balances of Governmental Funds	\$ 2,833,480
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation, are not current financial resources and are not included in the governmental funds.	10,417,259
Some liabilities, including long-term debt, accrued interest and compensated absences are not due and payable in the current period and therefore are not reported in the funds.	
Compensated absences	(72,975)
Accrued interest	(8,437)
Net pension liability, deferred inflows/outflows	(877,837)
Long-term debt	<u>(272,694)</u>
Net position of governmental activities	<u>\$ 12,018,796</u>

The notes to the financial statements are an integral part of this statement

ORANGEVALE RECREATION AND PARK DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Major Funds			Non-Major Funds		Total Governmental Funds
	General Fund	Orangevale Landscape & Lighting District	Park Development Fees	Developer In-Lieu Fees	Kenneth Grove Assessment District	
Revenues						
Property taxes	\$ 1,340,225	\$ -	\$ -	\$ -	\$ -	\$ 1,340,225
Intergovernmental revenues	13,687	-	-	-	-	13,687
Charges for current services	457,529	-	-	-	-	457,529
Special assessments	-	567,322	92,755	105	5,374	665,556
Use of money and property	170,202	8,996	7,140	1,404	198	187,940
Other revenues and reimbursements	3,533	-	-	-	-	3,533
Total Revenues	1,985,176	576,318	99,895	1,509	5,572	2,668,470
Expenditures						
Salaries and benefits	1,352,035	-	-	-	-	1,352,035
Services and supplies	337,476	471,546	-	-	1,462	810,484
Capital outlay	185,980	56,616	-	-	-	242,596
Debt service						
Principal	60,329	-	-	-	-	60,329
Interest	16,485	-	-	-	-	16,485
Total Expenditures	1,952,305	528,162	-	-	1,462	2,481,929
Total revenues over (under) expenditures						
Before other financing sources (uses)	32,871	48,156	99,895	1,509	4,110	186,541
Other financing sources (uses)						
Operating transfers in	371,893	-	-	-	-	371,893
Operating transfers out	-	-	(371,893)	-	-	(371,893)
Total Other Financing Sources (Uses)	371,893	-	(371,893)	-	-	-
Net Change in Fund Balances	404,764	48,156	(271,998)	1,509	4,110	186,541
Fund Balances, July 1, 2017	1,116,920	666,140	753,328	97,934	12,617	2,646,939
Prior period adjustment	13,406	(13,406)				-
Fund Balances, June 30, 2018	\$ 1,535,090	\$ 700,890	\$ 481,330	\$ 99,443	\$ 16,727	\$ 2,833,480

The notes to the financial statements are an integral part of this statement

ORANGEVALE RECREATION AND PARK DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUE,
EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Net Change in Fund Balances - Total Governmental Funds	\$ 186,541
<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 are 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	242,596
Depreciation expense	(173,784)
<p>Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.</p>	60,329
<p>Accrued interest reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported in governmental funds.</p>	1,866
<p>Changes in proportions from the pension do not effect expenditures in the governmental funds, but the change is adjusted through expense in the government-wide statement.</p>	(100,492)
<p>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.</p>	<u>(14,236)</u>
Change in net position of governmental activities	<u><u>\$ 202,820</u></u>

The notes to the financial statements are an integral part of this statement

ORANGEVALE RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

Note 1: Summary of Significant Accounting Policies

The District was organized by a vote of the public. It is operated under the direction of a five-member board duly elected and empowered by the electorate with sole authority over the District operations. Although the District is independent from the Sacramento County Board of Supervisors, its financial activities are processed through the County Auditor-Controller's Office.

In addition to providing recreational programs and services to the community, the District maintains park sites. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The District has defined its reporting entity in accordance with accounting principles generally accepted in the United States of America, which provide guidance for determining which governmental activities, organizations, and functions should be included in the reporting entity. In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The primary criterion for including a potential component unit within the reporting entity is the governing body's financial accountability. A primary governmental entity is financially accountable if it appoints a voting majority of a component unit's governing body and it is able to impose its will on the component unit, or if there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable if a component unit is fiscally dependent on the primary governmental entity regardless of whether the component unit has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board.

Based upon the aforementioned oversight criteria, the following are component units:

The Orangevale Landscape and Lighting District and the Kenneth Grove Assessment District are included in the special revenue funds of the District.

B. Basis of Accounting

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned or, for property tax revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Resources not available to finance expenditures and commitments of the current period are recognized as deferred revenue or as a reservation of fund balance. The District considers property taxes available if they are collected within sixty-days after year-end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt, as well as compensated absences and claims and judgments are recorded only when payment is due. General capital acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financial sources.

ORANGEVALE RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

C. Non-Current Governmental Assets/Liabilities

GASB Statement 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide statement of net position.

D. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government. Governmental activities are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the program expenses of a given function are offset by program revenues. Program expenses include direct expenses, which are clearly identifiable with a specific function. Program revenues include 1) charges paid by the recipient of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

Fund Financial Statements

The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in separate columns. All remaining governmental funds are separately aggregated and reported as non-major funds.

Governmental Fund Types

Governmental funds are used to account for the District's expendable financial resources and related liabilities (except those accounted for in proprietary funds). The measurement focus is based upon determination of changes in financial position. The following are the District's governmental funds:

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

Special Revenue Funds - These funds account for the activity of the developer in lieu fees, impact fees as well as the two landscape and lighting maintenance districts that are legally restricted to expenditures for specific purposes.

The District does not operate enterprise funds.

ORANGEVALE RECREATION AND PARK DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 1: Summary of Significant Accounting Policies (Continued)

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

F. Restricted Assets

Restricted assets are financial resources generated for a specific purpose such as construction of improvements and financing of debt obligations. These amounts are restricted, as their use is limited by applicable bond covenants or other external requirements.

G. Compensated Absences

Compensated absences represent the vested portion of accumulated vacation. In accordance with GASB 16, the liability for accumulated leave includes all salary - related payments that are directly and incrementally connected with leave payments to employees, such as retirement pay. A current liability has been recorded in the governmental fund type to account for these vested leave accruals, which are expected to be used within the next fiscal year. At June 30, 2018, a long-term liability of \$72,975 for governmental activities has been recorded in the government-wide, statement of net position for unpaid vacation leave.

H. Property Taxes

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

ORANGEVALE RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

I. Capital Assets

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

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

<u>Assets</u>	<u>Useful Life</u>
Buildings	50 years
Building improvements	10-20 years
Site improvements	10-20 years
Equipment and machinery	5 to 20 years

J: Deferred Inflows of Resources

Deferred inflows of resources in governmental funds arise when potential revenue does not meet the “available” criteria for recognition in the current period. Deferred inflows of resources (deferred revenue in accrual based statements) also arises when resources are received by the District before it has a legal claim to them (i.e., when grant monies are received prior to the incurrence of qualifying expenditures).

K. Interfund Transactions

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. Transfers between governmental funds are netted as part of the reconciliation to the government-wide presentation.

L. Pensions

For purpose of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District’s Sacramento County Employees’ Retirement System (SCERS) plans (Plan) and additions to/deductions from the Plan’ fiduciary net position have been determined on the same basis as they are reported by SCERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2: Cash and Investments

Cash and investments at June 30, 2018, consisted of the following:

Checking account	\$ 23,210
Imprest cash	200
Cash and investments with County Treasurer	<u>2,722,391</u>
Total cash and investments	<u><u>\$ 2,745,801</u></u>

ORANGEVALE RECREATION AND PARK DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 2: Cash and Investments (Continued)

A. Investments Authorized by the California Government Code and the Entity’s Investment Policy

The table below identifies the **investment types** that are authorized for the Orangevale Recreation and Park District by the California Government Code (or the District’s investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District’s investment policy, where more restrictive) that address **interest rate risk, credit risk and concentration of credit risk**. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Percentage of Portfolio</u>	<u>Investment in One Issuer</u>
Investment pools authorized under CA			
Statutes governed by Government Code	N/A	None	\$40 million
U.S. Treasury Obligations	5 years	None	None
Bank Savings Accounts	N/A	25%	None
Federal Agencies	5 years	75%	None
Commercial Paper	180 days	20%	None
Negotiable Certificates of Deposit	180 days	20%	None
Re-Purchase Agreements	180 days	20%	None
Corporate Debt	5 years	25%	None

B. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates that will adversely affect the fair value of and investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the District’s investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District’s investment maturity:

<u>Investment Type</u>	<u>Totals</u>	<u>Remaining Maturity (in Months)</u>	
		<u>12 Months or Less</u>	<u>13-48 Months</u>
Sacramento County*	\$ 2,722,391	\$ 2,722,391	\$ -
Totals	\$ 2,722,391	\$ 2,722,391	\$ -

*Not subject to categorization

C. Concentrations of Credit Risk

The investment policy of the District contains limitations on the amount that can be invested in any one issuer. There are no investments to one issuer exceeding those limits.

D. 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 deposit or will not be able to recover collateral securities that are in the possession of an outside party.

ORANGEVALE RECREATION AND PARK DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 2: Cash and Investments (Continued)

D. Custodial Credit Risk (Continued)

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 of 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 deposits or investments, other than the following provision for deposits; The California Government Code requires that a financial institution secured 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 government unit). The fair 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 the District's deposits by pledging first deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2018, the District's deposits balance was \$13,935 and the carrying amount was \$23,210. The difference between the bank balance and the carrying amount was due to normal outstanding checks and deposits in transit. Of the bank balance all was covered by the Federal Depository Insurance or by collateral held in the pledging bank's trust department in the District's name.

E. Investment in Government Pool

Investments are accounted for in accordance with the provisions of GASB Statement No. 31, which requires governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in fair value of investments in the year in which the change occurred. The District reports its investment in the Sacramento County investment pool at fair value based on quoted market information obtained from fiscal agents or other sources if the change is material to the financial statements.

Note 3: Property Plant and Equipment

Activity for general fixed assets capitalized by the District is summarized below:

	Balance July 1, 2017	Additions Adjustments	Retirements/ Adjustments	Balance June 30, 2018
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 6,212,723	\$ -	\$ -	\$ 6,212,723
Construction in progress	559,898		(325,867)	234,031
Capital assets, being depreciated:				
Land improvements	2,387,790	347,857		2,735,647
Buildings and improvements	4,430,057	200,923		4,630,980
Equipment	908,697	19,684		928,381
Total capital assets, being depreciated	7,726,544	568,464	-	8,295,008
Less accumulated depreciation for:				
Land improvements	(1,695,874)	(55,921)		(1,751,795)
Buildings and improvements	(1,742,696)	(91,507)		(1,834,203)
Equipment	(712,149)	(26,356)		(738,505)
Total accumulated depreciation	(4,150,719)	(173,784)	-	(4,324,503)
Total capital assets, being depreciated, net	3,575,825	394,680	-	3,970,505
Governmental activities capital assets, net	\$ 10,348,446	\$ 394,680	\$ (325,867)	\$ 10,417,259

ORANGEVALE RECREATION AND PARK DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 4: Long-Term Liabilities

The following is a summary of changes in the governmental activities long-term liabilities for the fiscal year ended June 30, 2018:

	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018	Due Within One Year
Compensated absences	\$ 58,739	\$ 56,726	\$ (42,490)	\$ 72,975	\$ 21,245
Net pension liability	1,307,940	147,793		1,455,733	-
Capital lease	333,023		(60,329)	272,694	63,315
Total	<u>\$ 989,271</u>	<u>\$ 204,519</u>	<u>\$ (102,819)</u>	<u>\$ 1,801,402</u>	<u>\$ 84,560</u>

Governmental activities long-term debt obligations consisted of the following:

Compensated Absences

The District recognizes the accumulated unpaid employee vacation benefits as a liability and the long-term portion is recorded as compensated absences in the government-wide statement of net position. The current portion, if any, is also recorded in the fund financial statement in the general fund.

Capital Lease

The District purchased property adjacent to an existing park for \$800,000. A capital lease was obtained to finance the purchase. Fifteen annual payments in the amount of \$76,814, for both principal and interest, will commence on November 15, 2007 and end November 15, 2021 with a prepayment option beginning November 15, 2013. The annual interest rate on this lease is 4.95%.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018, are as follows:

Fiscal Year Ended June 30,	
2019	\$ 76,814
2020	76,814
2021	76,814
2022	76,814
Total minimum lease payments	<u>307,256</u>
Less: Amount representing interest	<u>(34,562)</u>
Present value of minimum lease payments	<u>\$ 272,694</u>

ORANGEVALE RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

Note 5: Park Dedication Fund

The County maintains two funds for the benefit of the Orangevale Recreation and Park District. The corpus of the funds consist of in lieu fees paid by developers of subdivisions within the boundaries of the District. The use of these funds by the District is restricted for the purpose of providing park and recreation facilities to serve the population. The funds are collected by the County of Sacramento building department as part of the developer building fees and then transferred to a District funds established for developer fees. The Board of Directors is required by resolution to authorize transfer of the funds into the general fund of the District, to be spent on restricted projects benefiting the community. The activity of these funds is recorded in special revenue funds of the District.

Note 6: Risk Management

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

The Agreement for Formation provides that CAPRI will be self-sustaining through member premiums. CAPRI reinsures through commercial companies for general and automobile liability excess claims and all risk property insurance, including boiler and machinery coverage, is subject to a \$2,000 deductible occurrence payable by the District. Financial statements for CAPRI are available at the District's office for fiscal year ending June 30, 2018. Settlements have not exceeded insurance coverage in any of the last three years.

Note 7: Lease Income

The District derives a portion of its revenue from the rental of real property based on a fixed lease amount. All leases of the District are treated as operating leases for accounting purposes. Lease terms are for a period of five years and can be terminated by lessor at any time and without cause by giving the District thirty days written notice of termination. Because these are cancelable leases we do not present the operating revenue over the term of the lease.

Note 8: Defined Benefit Pension Cost-Sharing Employer Plan

A. General Information about the Pension Plans

Plan Descriptions –The Orangevale Recreation and Park District contributes to the Sacramento County Employees' Retirement System (SCERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by SCERS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefits are established by the County Employees' Retirement Act of 1937, section 31540, et seq. of the California Government Code. SCERS issues a separate actuarial report that includes financial statements and required supplementary information at www.scers.org.

Benefits Provided – SCERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Contributions to the plan are made pursuant to Section 31584 of the County Employees Retirement Law of 1937. Active plan members in the District's defined pension plan are required to contribute between 6.20% and 7.93% of their bi-monthly covered salary for the first \$161 and 9.30% of their semi-monthly covered salary over \$161 for classic members. The District is required to contribute the actuarially determined remaining amounts

ORANGEVALE RECREATION AND PARK DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 8: Defined Benefit Pension Cost-Sharing Employer Plan (Continued)

The District's proportionate share of the net pension liability as of June 30, 2016 and 2017 was as follows:

Proportion - June 30, 2017	0.075%
Proportion - June 30, 2018	0.070%
Change - Increase (Decrease)	-0.005%

For the year ended June 30, 2018, the District recognized pension expense of \$195,380. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (61,290)
Changes in assumptions	450,784	(7,769)
Net difference between projected and actual earnings on pension plan investments	461,853	(387,338)
Changes in proportion		
Difference in proportionate share of contributions	16,222	(43,776)
District contributions subsequent to the measurement date	142,494	
Total	<u>\$ 1,071,353</u>	<u>\$ (500,173)</u>

\$142,494 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

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

**Measurement Period
Ended June 30:**

2019	\$	83,238
2020	\$	203,680
2021	\$	139,076
2022	\$	2,692

Actuarial Assumptions – The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation	3.00%
Projected Salary Increase	4.50% to 10.75%
Investment Rate of Return	7.00%

ORANGEVALE RECREATION AND PARK DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 8: Defined Benefit Pension Cost-Sharing Employer Plan (Continued)

Discount Rate – The discount rates used to measure the Total Pension Liability (TPL) were 7.00% and 7.50% as of valuation dates June 30, 2016 and June 30, 2015, respectively. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension Plan’s Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL as of both June 30, 2016 and June 30, 2015 valuation dates.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Large Cap Equity	17.00%	5.61%
U.S. Small Cap Equity	4.00%	6.37%
International Developed Equity	16.00%	6.96%
Emerging Market Equity	4.00%	9.28%
High Yield Bonds	1.00%	3.65%
Bank Loans	1.00%	2.96%
Growth Oriented Abs. Return	3.00%	4.97%
Private Equity	9.00%	8.70%
Private Credit/Debt	4.00%	5.10%
Core/Core Plus Bonds	10.00%	1.06%
Global Bonds	3.00%	0.07%
U.S. Treasury	5.00%	0.16%
Diversifying Abs. Return	7.00%	3.04%
Private Real Estate	7.00%	4.37%
Private Assets	7.00%	7.74%
Commodities	2.00%	3.76%

table: (1) An expected inflation of 3.25% used for this period

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District’s proportionate share of the net pension liability (NPL) for each Plan, calculated using the discount rate for each Plan, as well as what the District’s proportionate share of the NPL would be if it were calculated using a discount rate 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Discount Rate -1%</u> <u>(6.00%)</u>	<u>Current Discount</u> <u>Rate (7.00%)</u>	<u>Discount Rate +1%</u> <u>(8.00%)</u>
Misc Tier 3	\$ 2,507,183	\$ 1,455,733	\$ 597,569

ORANGEVALE RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

Note 9: Post Employment Health Care Benefits

On August 20, 2015 the District Board of Directors approved participating in the retiree health care program with Sacramento County for the 2015/16 fiscal year. The County retiree medical and dental premiums, contribution levels and eligibility and participation rules are reviewed and approved annually and at other times as needed. The District and all its retirees shall be subject to the same eligibility requirements and all other rules governing the County Retiree Health Insurance Program.

Plan Description The plan is a single-employer plan and it does not issue a publicly available report. The District participates in the County of Sacramento plan, which provides medical 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 the 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 calendar year.

The amount of any medical subsidy/offset payments made available to eligible annuitants shall be calculated based upon the annuitants SCERS service credits.

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 District employees 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 is established within the sole discretion of the County Board of Supervisors. The amount of the subsidy/offset payments, the funding policy, the annual OPEB Cost and Net OPEB Obligation as well as the funding status and actuarial methods and assumptions can be found in the Sacramento County Comprehensive Annual Financial Report.

Note 10: ERAF Property Tax Shift

During the 2017-2018 fiscal year the County of Sacramento Department of Finance Auditor Controller Division shifted \$208,077 (estimated) property tax revenue from the Orangevale Recreation and Park District to the educational revenue augmentation fund (ERAF). The ERAF I property tax shift started during the 1992-1993 fiscal year to help solve the State budget crisis. The ERAF I shifts property tax revenues, designated for special districts, to community colleges and schools K-12. The accumulated total property tax revenues shifted from Orangevale Recreation and Park District from the 1992-1993 fiscal year through the 2017-2018 fiscal year was \$3,796,875.

ORANGEVALE RECREATION AND PARK DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 11: Gann Limit

Total Subject Revenue 2017-18	\$ 2,005,781
Amount of limit for 2017-18	<u>3,306,089</u>
Amount (under)/over limit	<u>\$ (1,300,308)</u>

Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), California governmental agencies are restricted as to the amount of annual appropriation from proceeds of taxes. Under Section 10.5 of Article XIII B the appropriations limit is required to be calculated based on the limit for the fiscal year 1986-87, adjusted for inflation and population factors as supplied by the State Department of Finance.

Note 12: Fund Balances – Governmental Funds

The District adopted a policy for GASB Statement No. 54, Fund Balance Reporting. GASB 54 establishes fund balance classifications that comprise a hierarchy based on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. While the classifications of fund balance in the District’s various governmental funds were revised, the implementation of this standard had no effect on total fund balance. Detailed information on governmental fund-type, fund balances are as follows:

	General Fund	Orangevale Landscape & Lighting District	Developer In-Lieu Fees	Park Development Fees	Kenneth Grove Assessment District
Restricted for:					
Developer Deposits	\$ -	\$ -	\$ 99,443	\$ 481,330	\$ -
Total restricted	<u>-</u>	<u>-</u>	<u>99,443</u>	<u>481,330</u>	<u>-</u>
Committed	-	-	-	-	-
Assigned for:					
Capital replacement - Swimming Pool	200,000	-	-	-	-
Capital Replacement - Community Center	150,000	-	-	-	-
Capital Replacement - Parking Lots & Pathways	50,000	-	-	-	-
Capital Replacement - Park Equipment	145,014	-	-	-	-
Maintenance	-	509,690	-	-	16,727
Next years budget	365,500	191,200	-	-	-
Total assigned	<u>910,514</u>	<u>700,890</u>	<u>-</u>	<u>-</u>	<u>16,727</u>
Unassigned	<u>624,576</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>\$ 1,535,090</u>	<u>\$ 700,890</u>	<u>\$ 99,443</u>	<u>\$ 481,330</u>	<u>\$ 16,727</u>

ORANGEVALE RECREATION AND PARK DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 13: Commitments and Contingent Liabilities

Grants are subject to audit to determine compliance with their requirements. District officials believe that if any refunds are required, they would not have a significant effect on the financial condition or liquidity of the District.

In the normal course of business, the District is a defendant in various lawsuits. Defence of lawsuits are typically handled by the District's insurance carrier and losses, if any, are expected to be covered by insurance. The District is unaware of any pending litigation or other contingencies which would have a material effect on the financial condition or liquidity of the District.

As of June 30, 2018 the District had professional service agreements and had committed to a long-term copier operating lease.

ORANGEVALE RECREATION AND PARK DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 1,263,700	\$ 1,263,700	\$ 1,340,225	\$ 76,525
Intergovernmental revenues	15,000	15,000	13,687	(1,313)
Charges for current services	473,500	473,500	457,529	(15,971)
Use of money and property	132,600	132,600	170,202	37,602
Other revenues	3,000	3,000	3,533	533
Total Revenues	<u>1,887,800</u>	<u>1,887,800</u>	<u>1,985,176</u>	<u>97,376</u>
Expenditures				
Salaries and benefits	1,721,000	1,721,000	1,352,035	368,965
Services and supplies	485,600	485,600	337,476	148,124
Debt service	83,000	83,000	76,814	6,186
Capital outlay	242,500	242,500	185,980	56,520
Total Expenditures	<u>2,532,100</u>	<u>2,532,100</u>	<u>1,952,305</u>	<u>579,795</u>
Total revenues over (under) expenditures				
Before other financing sources (uses)	<u>(644,300)</u>	<u>(644,300)</u>	<u>32,871</u>	<u>677,171</u>
Other financing sources (uses)				
Operating transfers in	300,000	300,000	371,893	71,893
Total Other Financing Sources (Uses)	<u>300,000</u>	<u>300,000</u>	<u>371,893</u>	<u>71,893</u>
Net Change in Fund Balance *	<u>\$ (344,300)</u>	<u>\$ (344,300)</u>	<u>404,764</u>	<u>\$ 749,064</u>
Fund Balances, July 1, 2017			<u>1,116,920</u>	
Prior Period Adjustment			<u>13,406</u>	
Fund Balances, June 30, 2018			<u>\$ 1,535,090</u>	

* Budget was balanced using carryover fund balance.

ORANGEVALE RECREATION AND PARK DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
ORANGEVALE LANDSCAPE AND LIGHTING DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Assessments	\$ 555,000	\$ 555,000	\$ 567,322	\$ 12,322
Use of money and property	2,000	2,000	8,996	6,996
Total Revenues	<u>557,000</u>	<u>557,000</u>	<u>576,318</u>	<u>19,318</u>
Expenditures				
Services and supplies	544,200	544,200	471,546	72,654
Capital outlay	185,000	185,000	56,616	128,384
Total Expenditures	<u>729,200</u>	<u>729,200</u>	<u>528,162</u>	<u>201,038</u>
Net Change in Fund Balance	<u>\$ (172,200)</u>	<u>\$ (172,200)</u>	48,156	<u>\$ 220,356</u>
Fund Balances, July 1, 2017			666,140	
Prior Period Adjustment			<u>(13,406)</u>	
Fund Balances, June 30, 2018			<u>\$ 700,890</u>	

* Budget was balanced using carryover fund balance.

ORANGEVALE RECREATION AND PARK DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY
JUNE 30, 2018**

Reporting Date For Employer under GASB 68 as of June 30	District's proportion of the net pension liability (asset)	District's proportionate share of the net pension liability (asset)	District's covered-employee payroll	District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
6/30/2014	0.079%	\$1,117,117	\$575,000	194.28%	83.94%
6/30/2015	0.062%	\$476,789	\$611,000	78.03%	93.16%
6/30/2016	0.066%	\$760,573	\$592,000	128.48%	89.46%
6/30/2017	0.075%	\$1,307,940	\$593,000	220.56%	83.21%
6/30/2018	0.070%	\$1,455,733	\$590,000	246.73%	82.52%

* The amounts presented for each fiscal year were determined as of the fiscal year-end

The schedule is presented to illustrate the requirement to show information for 10 years. However, until 10-year trend is compiled, only information for those years for which is available.

ORANGEVALE RECREATION AND PARK DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS
JUNE 30, 2018**

<u>Reporting Date For Employer under GASB 68 as of June 30</u>	<u>Contractually required contribution</u>	<u>Contributions in relation to the contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered employee payroll</u>	<u>Contribution as a percentage of covered employee payroll</u>
6/30/2014	\$162,000	(\$162,000)	\$0	\$575,000	28.17%
6/30/2015	\$172,000	(\$172,000)	\$0	\$611,000	28.15%
6/30/2016	\$180,000	(\$180,000)	\$0	\$592,000	30.41%
6/30/2017	\$165,000	(\$165,000)	\$0	\$593,000	27.82%
6/30/2018	\$149,000	(\$149,000)	\$0	\$590,000	25.25%

* The amounts presented for each fiscal year were determined as of the fiscal year-end

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complied, only information for those years for which information is available is presented.

ORANGEVALE RECREATION AND PARK DISTRICT

**NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

Note 1: Budgets and Budgetary Accounting:

As required by State law the District prepares and legally adopts a final operating budget. Public hearings were conducted on the proposed and final budget to review all appropriations and the sources of financing.

The budgets for the general fund and special revenue funds are adopted on the modified accrual basis of accounting.

At the object level, actual expenditures cannot exceed budgeted appropriations. Management can transfer budgeted amounts between expenditure accounts within an object without the approval of the Board of Directors. Significant amendments and appropriation transfers between objects or funds must be approved by the Board of Directors. Appropriations lapse at fiscal year-end.

The budgetary data presented in the accompanying financial statements includes all revisions approved by the Board of Directors.