

ORANGEVALE RECREATION AND PARK DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2014

ORANGEVALE RECREATION AND PARK DISTRICT

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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, 2014, 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, 2014, 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.

Other Information

We have also issued our report dated January 8, 2015 on our consideration of the District's internal control over financial reporting. That report should be read in conjunction with this report in considering our audit.

The required supplementary information other than MD&A, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Larry Bain, CPA,
An Accounting Corporation
January 8, 2015

ORANGEVALE RECREATION AND PARK DISTRICT

**STATEMENT OF NET POSITION
JUNE 30, 2014**

	Governmental Activities
Assets	
Cash and investments	\$ 1,801,191
Interest receivable	1,897
Taxes receivable	21,059
Grants receivable	52,814
Restricted cash and investments	715,874
Capital assets:	
Land	6,212,723
Construction in progress	4,397
Land improvements	2,317,658
Buildings and improvements	4,423,557
Equipment	791,484
Less: accumulated depreciation	(3,657,865)
Capital assets-net	10,091,954
Total Assets	\$ 12,684,789
Liabilities	
Current liabilities:	
Claims payable	\$ 74,440
Accrued wage	50,379
Deposits	2,100
Accrued interest	15,391
Non-current liabilities:	
Due within one year	77,137
Due in more than one year	481,629
Total Liabilities	701,076
Net Position	
Net investment in capital assets	9,594,486
Unrestricted	2,389,227
Total Net Position	\$ 11,983,713

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, 2014**

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	\$ 2,192,876	\$ 642,155	\$ 5,358	\$ 1,094,787	\$ (450,576)
Interest on long-term debt	29,952	-	-	-	(29,952)
Total Governmental Activities	\$ 2,222,828	\$ 642,155	\$ 5,358	\$ 1,094,787	(480,528)
General Revenues:					
Taxes:					
					1,073,436
					1,245
					5,584
					<u>1,080,265</u>
					599,737
					<u>11,383,976</u>
					<u>\$ 11,983,713</u>

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

ORANGEVALE RECREATION AND PARK DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2014**

	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	\$ 1,133,460	\$ 632,923	\$ -	\$ -	\$ 34,808	\$ 1,801,191
Interest receivable	823	447	418	176	33	1,897
Taxes receivable	21,059	-	-	-	-	21,059
Grants receivable	52,814	-	-	-	-	52,814
Restricted cash and investments	-	-	520,207	195,668	-	715,875
Total Assets	\$ 1,208,156	\$ 633,370	\$ 520,625	\$ 195,844	\$ 34,841	\$ 2,592,836
Liabilities						
Claims payable	\$ 38,129	\$ 36,309	\$ -	\$ -	\$ -	\$ 74,438
Accrued payroll	50,379	-	-	-	-	50,379
Deposits	2,100	-	-	-	-	2,100
Total Liabilities	90,608	36,309	-	-	-	126,917
Deferred Inflows of Resources						
Unavailable revenue-operating grants	52,814	-	-	-	-	52,814
Total Deferred Inflows of Resources	52,814	-	-	-	-	52,814
Fund Balances						
Restricted	-	-	520,625	195,844	-	716,469
Assigned	915,100	597,061	-	-	34,841	1,547,002
Unassigned	149,634	-	-	-	-	149,634
Total Fund Balances	1,064,734	597,061	520,625	195,844	34,841	2,413,105
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,208,156	\$ 633,370	\$ 520,625	\$ 195,844	\$ 34,841	\$ 2,592,836

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, 2014**

Fund Balances of Governmental Funds	\$ 2,413,105
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.	10,091,954
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	(61,301)
Accrued interest	(15,391)
Long-term debt	<u>(497,468)</u>
Net position of governmental activities	<u>\$ 11,983,713</u>

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ORANGEVALE RECREATION AND PARK DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	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	\$ 1,059,382	\$ -	\$ -	\$ -	\$ -	\$ 1,059,382
Intergovernmental revenues	130,890	-	-	-	-	130,890
Charges for current services	492,415	-	-	-	-	492,415
Special assessments	-	563,117	271,118	114,542	5,358	954,135
Use of money and property	149,910	447	418	176	34	150,985
Other revenues and reimbursements	5,590	-	-	-	-	5,590
Total Revenues	1,838,187	563,564	271,536	114,718	5,392	2,793,397
Expenditures						
Salaries and benefits	1,269,915	-	-	-	-	1,269,915
Services and supplies	397,980	376,048	-	-	4,815	778,843
Capital outlay	149,774	35,015	-	-	-	184,789
Debt service						
Principal	54,131	-	-	-	-	54,131
Interest	27,086	-	-	-	-	27,086
Total Expenditures	1,898,886	411,063	-	-	4,815	2,314,764
Excess (Deficit) of Revenues Over (Under)						
Expenditures	(60,699)	152,501	271,536	114,718	577	478,633
Other Financing Sources (Uses)						
Operating transfers in	8,806	-	-	-	-	8,806
Operating transfers (out)	-	-	-	(8,806)	-	(8,806)
Total Other Financing Sources (Uses)	8,806	-	-	(8,806)	-	-
Net Change in Fund Balances	(51,893)	152,501	271,536	105,912	577	478,633
Fund Balances, July 1, 2013	1,116,627	444,560	249,089	89,932	34,264	1,934,472
Fund Balances, June 30, 2014	\$ 1,064,734	\$ 597,061	\$ 520,625	\$ 195,844	\$ 34,841	\$ 2,413,105

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, 2014**

Net Change in Fund Balances - Total Governmental Funds	\$ 478,633
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:	
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:	
Cost of assets capitalized	184,828
Depreciation expense	(157,298)
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.	49,727
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.	1,538
Certain revenues recognized in the Statement of Activities that do not provide current financial resources were not reported as revenues in the funds.	29,168
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.	<u>13,141</u>
Change in net position of governmental activities	<u><u>\$ 599,737</u></u>

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ORANGEVALE RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2014

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 and the Orangevale Improvement Finance Corporation is included in the debt service fund 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, 2014

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 Fund - 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.

Debt Service Fund - This fund accounts for the accumulation of resources for and the payment of interest and principal on the District's general long-term debt.

The District does not operate enterprise funds.

ORANGEVALE RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

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, 2014, a long-term liability of \$61,299 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. 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, 2014**

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.

Note 2: Cash and Investments

Cash and investments at June 30, 2014, consisted of the following:

Checking account	\$ 14,794
Imprest cash	200
Cash and investments with County Treasurer	<u>2,502,072</u>
Total cash and investments	<u>\$ 2,517,066</u>

ORANGEVALE RECREATION AND PARK DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

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>13-24 Months</u>	<u>25-36 Months</u>	<u>37-48 Months</u>
Sacramento County*	\$ 2,502,072	\$ 2,502,072	\$ -	\$ -	\$ -
Totals	\$ 2,502,072	\$ 2,502,072	\$ -	\$ -	\$ -

*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, 2014**

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, 2014, the District's deposits balance was \$8,579 and the carrying amount was \$14,794. 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 June 30, 2013	Additions	Retirements/ Adjustments	Balance June 30, 2014
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 6,212,723	\$ -	\$ -	\$ 6,212,723
Construction in progress	43,973		(39,576)	4,397
Capital assets, being depreciated:				
Land improvements	2,107,646	210,012		2,317,658
Buildings and improvements	4,415,007	8,550		4,423,557
Equipment	785,642	5,842		791,484
Total capital assets, being depreciated	7,308,295	224,404	-	7,532,699
Less accumulated depreciation for:				
Land improvements	(1,517,767)	(33,010)		(1,550,777)
Buildings and improvements	(1,378,457)	(91,017)		(1,469,474)
Equipment	(603,822)	(33,792)		(637,614)
Total accumulated depreciation	(3,500,046)	(157,819)	-	(3,657,865)
Total capital assets, being depreciated, net	3,808,249	66,585	-	3,874,834
Governmental activities capital assets, net	\$ 10,064,945	\$ 66,585	\$ (39,576)	\$ 10,091,954

ORANGEVALE RECREATION AND PARK DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

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, 2014:

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014	Due Within One Year
Compensated absences	\$ 74,440	\$ 41,679	\$ 54,820	\$ 61,299	\$ 27,410
Capital lease	547,194	-	49,727	497,467	49,727
Total	<u>\$ 621,634</u>	<u>\$ 41,679</u>	<u>\$ 104,547</u>	<u>\$ 558,766</u>	<u>\$ 77,137</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, 2014, are as follows:

Fiscal Year Ended June 30,	
2015	\$ 76,814
2016	76,814
2017	76,814
2018	76,814
2019	76,814
2020-2022	230,442
Total minimum lease payments	614,512
Less: Amount representing interest	(117,045)
Present value of minimum lease payments	<u>\$ 497,467</u>

ORANGEVALE RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

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, 2014. 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 Plan

A. Plan Description

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. Employees vest after 5 years of service and may receive benefits at age 50. Benefits are established by the County Employees' Retirement Act of 1937, section 31584, et seq. of the California Government Code. SCERS issues a separate actuarial report that includes financial statements and required supplementary information. Copies of the SCERS' annual financial report may be obtained from the Systems web site at www.saccounty.net/retirement. Or from SCERS, 980 9th Street, Suite 750, Sacramento, California 95812.

ORANGEVALE RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2014

Note 8: Defined Benefit Pension Plan (Continued)

B. Funding Policy

Contributions to the plan are made pursuant to Section 31584 of the County Employee Retirement Law of 1937. The Systems 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. Active plan members in the defined pension plan are required to contribute 3.35% of wages for the first \$175 and 5.03% of wages over \$175 per pay period. The District is required by state law to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the SCERS' Board of Administration. Under the actuarial funding method used by the System, investments are valued at fair value and all unrealized gains and losses are recognized over the next five years. Therefore, contribution rates reflect the impact of market fluctuations on investments during the five-year period after they occur. The actuarial assumptions used are an interest rate assumption of 7.75%, 5.65% salary increase, merit and longevity adjustment based on the July 2011 Experience Analysis plus 3.50% inflation per year. The required employer contribution rate for the fiscal year 2012-13 was 25.88%. The contribution requirements of the plan members are established by Articles 6 and 6.8 of the 1937 Act, and are actuarially determined and are based on age of entry into the system. The Orangevale Recreation and Park District's contributions to SCERS for the fiscal years ending June 30, 2014, 2013 and 2012 were \$172,103, \$161,880, and \$159,437 respectively.

SCERS provides the three year trend information and the schedule of funding progress for the System as a whole and not for the individual members, therefore the three year trend information is not included in this report.

Note 9: Post Employment Health Care Benefits

On August 22, 2013 the District Board of Directors approved participating in the retiree health care program with Sacramento County for the 2013/14 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.

ORANGEVALE RECREATION AND PARK DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 9: Post Employment Health Care Benefits (Continued)

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 2013-2014 fiscal year the County of Sacramento Department of Finance Auditor Controller Division shifted \$168,408 (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 2013-2014 fiscal year was \$2,923,540.

Note 11: Gann Limit

Total Subject Revenue 2013-14	\$ 1,622,499
Amount of limit for 2013-14	<u>2,985,197</u>
Amount (under)/over limit	<u>\$ (1,362,698)</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:

ORANGEVALE RECREATION AND PARK DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 12: Fund Balances – Governmental Funds (Continued)

	General Fund	Orangevale Landscape & Lighting District	Developer In-Lieu Fees	Park Development Fees	Kenneth Grove Assessment District
Restricted for:					
Developer Deposits	\$ -	\$ -	\$ 195,844	\$ 520,625	\$ -
Total restricted	<u>-</u>	<u>-</u>	<u>195,844</u>	<u>520,625</u>	<u>-</u>
Committed	-	-	-	-	-
Assigned to:					
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	-	373,261	-	-	13,786
Next years budget	370,086	223,800	-	-	21,055
Total assigned	<u>915,100</u>	<u>597,061</u>	<u>-</u>	<u>-</u>	<u>34,841</u>
Unassigned	<u>149,634</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>\$ 1,064,734</u>	<u>\$ 597,061</u>	<u>\$ 195,844</u>	<u>\$ 520,625</u>	<u>\$ 34,841</u>

Note 13: 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.

ORANGEVALE RECREATION AND PARK DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Revenues				
Property taxes	\$ 985,700	\$ 985,700	\$ 1,059,382	\$ 73,682
Intergovernmental revenues	251,000	251,000	130,890	(120,110)
Charges for current services	423,500	423,500	492,415	68,915
Use of money and property	130,000	130,000	149,910	19,910
Other revenues	3,000	3,000	5,590	2,590
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Revenues	1,793,200	1,793,200	1,838,187	44,987
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Expenditures				
Salaries and benefits	1,491,000	1,491,000	1,269,915	221,085
Services and supplies	452,300	452,300	397,980	54,320
Debt service	85,500	85,500	81,217	4,283
Capital outlay	247,000	247,000	149,774	97,226
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	2,275,800	2,275,800	1,898,886	376,914
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Excess (Deficit) of Revenues Over (Under) Expenditures*	(482,600)	(482,600)	(60,699)	421,901
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Other Financing Sources (Uses)				
Operating transfers in (out)	-	-	8,806	8,806
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Other Financing Sources (Uses)	-	-	8,806	8,806
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net Change in Fund Balance	<u>\$ (482,600)</u>	<u>\$ (482,600)</u>	(51,893)	<u>\$ 430,707</u>
Fund Balances, July 1, 2013			<u>1,116,627</u>	
Fund Balances, June 30, 2014			<u>\$ 1,064,734</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, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Assessments	\$ 550,000	\$ 550,000	\$ 563,117	\$ 13,117
Use of money and property	2,000	2,000	447	(1,553)
Total Revenues	<u>552,000</u>	<u>552,000</u>	<u>563,564</u>	<u>11,564</u>
Expenditures				
Services and supplies	491,200	491,200	376,048	115,152
Capital outlay	214,000	214,000	35,015	178,985
Total Expenditures	<u>705,200</u>	<u>705,200</u>	<u>411,063</u>	<u>294,137</u>
Net Change in Fund Balance	<u>\$ (153,200)</u>	<u>\$ (153,200)</u>	152,501	<u>\$ 305,701</u>
Fund Balances, July 1, 2013			<u>444,560</u>	
Fund Balances, June 30, 2014			<u>\$ 597,061</u>	

The note to the required supplementary information is an integral part of this statement

ORANGEVALE RECREATION AND PARK DISTRICT

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014**

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.

LARRY BAIN, CPA

An Accounting Corporation

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Board of Directors
Orangevale Recreation and Park District
Orangevale, CA

We have audited the financial statements of the Orangevale Recreation and Park District as of and for the fiscal year ended June 30, 2014, and have issued our report thereon dated January 8, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Orangevale Recreation and Park District's (District) internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 14-1 through 14-4 in the following schedule of findings to be significant deficiencies in the District's internal control.

Orangevale Recreation and Park District's Response to Findings

The Orangevale Recreation and Park District's separate written response to the significant deficiencies identified in our audit and any follow up for subsequent year corrections has not been subjected to the audit procedures applied in the audit of the financial statements and accordingly, we do not express an opinion on the responses

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls over financial reporting and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control. This report is an integral part of an audit performed in accordance with auditing standards generally accepted in the United States of America in considering the District's internal control over financial reporting and accordingly this report is not suitable for any other purpose.

This communication is intended solely for the information and use of the Board of Directors, management, the Sacramento County Auditor Controller's Office and the Controller's Office of the State of California and is not intended to be and should not be used by anyone other than these specified parties.

Larry Bain, CPA,
An Accounting Corporation
January 8, 2015

ORANGEVALE RECREATION AND PARK DISTRICT

SCHEDULE OF FINDINGS

JUNE 30, 2014

Significant Deficiencies not Deemed Material Weaknesses

Finding 14-1: We noted the District had a lack of segregation of duties, as one person is capable of handling all aspects of processing transactions from beginning to end. A lack of segregation of duties increases the risk of potential errors or irregularities; however, due to a limited number of personnel an adequate segregation of duties is not possible without incurring additional costs. We have also noted this comment in previous audits.

Recommendation: The District should attempt to segregate accounting functions to the greatest extent possible. The Board of Directors also plays a more vital oversight role in reviewing and authorizing accounting records such as cash disbursements, cash receipts, cash transfers, account write-offs, payroll and monthly bank reconciliations. The District could also consider hiring an outside consultant to review the current segregation of incompatible duties to determine the cost of correcting any weaknesses.

Finding 14-2 (Prior year finding 12-5): During our testing of capital additions we noted the District recorded \$5,865.79 for equipment that did not fit the definition of a capital asset (individual cost of over \$5,000). We proposed a journal entry to reclassify these expenses to service and supply accounts.

12/13 FS: During the 2012/13 fiscal year we reclassified \$6,883 coded to capital expense accounts to service and supply.

Current Year Follow-Up: During the current year audit reclassification entries were made to and from service and supply accounts to agree capital assets to the underlying activity.

Recommendation: We recommend the District review and reconcile coding for a capital expenses as part of year end procedures and true up the capital expense accounts to agree with underlying activity/support.

Finding 14-3 (Prior year finding 13-3): During our testing of compensated absences we noted one instance where 35 hours of administrative leave was carried forward from the 2011/12 fiscal year to the 2012/13 fiscal year. The District policy requires that administrative leave not be carried forward after fiscal year end (use or lose).

Current Year Follow-Up: During the current year audit we noted one employee carrying over administrative leave hours into the following year.

Recommendation: We recommend the District review the policy for administrative leave and take action to comply with the policy. We recommend the District review and remove the administrative leave carryover hours from the employee noted above if the hours were carried over in error.

ORANGEVALE RECREATION AND PARK DISTRICT

SCHEDULE OF FINDINGS

JUNE 30, 2014

Significant Deficiencies not Deemed Material Weaknesses (Continued)

Finding 14-4: During our review of internal controls we tested the District's assertion that a credit card refund could only be processed to the credit card used for the initial transaction. With the consent and observation of the General Manager we attempted to refund a prior credit card transaction to a different credit card. The credit card refund was successfully placed onto a credit card with the different account and card holder. The documents that were printed to support the refund also did not state the name of the individual receiving the refund. By refunding a different credit card holder and by not having a complete audit trail of the transaction, it increases the risk that fraud could be occurring without being detected by the District's internal control.

We also inquired with staff on the process for reviewing credit card refunds and ensuring they were not fraudulent in nature. At this time it does not appear the District had previously established controls for reviewing and approving credit card refunds.

Recommendation: We recommend the District contact the software provider and determine how controls for credit cards refunds may be changed to prevent credit card refunds from being processed onto a different credit card. We also recommend the District have controls in place requiring an employee outside of the cash collection controls, such as management or a supervisory employee, to approve refunds. An employee, other than the person taking payments and who does not have access to making a credit card refund, should review refunds on a daily basis and/or during the monthly bank reconciliation to ensure that no unusual or fraudulent activity is occurring.