

STAFF REPORT



DATE: March 6, 2020

TO: MORPD Advisory Board of Directors

FROM: Cindy Paredes-Banville, Finance Superintendent

SUBJECT: Accept FY 2016-17 and 2017-18 Annual Financial Reports

DISCUSSION:

Craig Fechter, District auditor presented the FY 2016-17 and FY 2017-18 Annual Financial Reports for your review at February 11 Advisory Board of Directors meeting. He explained the procedures, answered questions regarding the audits and stated that the District had no material findings. Fechter & Associates are in their last year of a three-year contract and will begin Fiscal Year 2018-19 audit in April or May.

RECOMMENDATION:

That the Advisory Board of Directors accept the final Annual Financial Reports for FY 2016-17 and 2017-18 as presented (**attachment A**).

**MISSION OAKS
RECREATION AND PARK DISTRICT
ANNUAL FINANCIAL REPORT
JUNE 30, 2018 and 2017**

**MISSION OAKS
RECREATION AND PARK DISTRICT
ANNUAL FINANCIAL REPORT**

JUNE 30, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mission Oaks Recreation and Park District
Carmichael, California

We have audited the accompanying financial statements of the governmental activities and each major fund of Mission Oaks Recreation and Park District as of and for the fiscal year ended June 30, 2018 and 2017, 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.

Auditor's Responsibility

Our responsibility is to express opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit 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 Mission Oaks Recreation and Park District as of June 30, 2018 and 2017, and the changes in financial position, of those activities and funds for the fiscal years then ended in conformity with U.S. generally accepted accounting principles.

Board of Directors
Mission Oaks Recreation and Park District
Carmichael, CA

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages __-__, the budgetary comparison for the General Fund on pages __-__, and the Required Supplementary Information for Pensions on page 30; 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 with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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.

Fechter & Company
Certified Public Accountants

Sacramento, California
February __, 2020

**Mission Oaks Recreation and Park District
Management's Discussion and Analysis
June 30, 2018 and 2017**

This section of the Mission Oaks Recreation and Park District's annual financial report presents an analysis of the District's financial performance during the fiscal years ended June 30, 2018 and 17. This information is presented in conjunction with the audited basic financial statements, which follows this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEARS ENDING JUNE 30, 2018 AND 2017

Government Wide Highlights

- The assets of the District exceeded liabilities at the close of the 2017/18 fiscal year by \$13,975,610 (net position), a decrease over the previous year by \$9,327. Of this amount, \$351,864(unrestricted net position) may be used to meet ongoing obligations to citizens and creditors, and \$13,621,977 is the net investment in capital assets.
- The assets of the District exceeded liabilities at the close of the 2016/17 fiscal year by \$13,984,936 (net position), a decrease over the previous year by \$392,570. Of this amount, \$2,680,326 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors, and \$11,288,665 is the net investment in capital assets.

Governmental Fund Highlights

- As of June 30, 2018, the District's governmental funds reported combined fund balances of \$1,785,511, of which \$45,634 is restricted for park development \$79,821 is assigned for future spending as allowed by the landscape and lighting district and \$1,660,056 is available to meet the District's current and future needs (unassigned fund balance).
- As of June 30, 2017, the District's governmental funds reported combined fund balances of \$3,692,933, of which \$15,945 is restricted for park development \$2,400,849 is assigned for future spending as allowed by the landscape and lighting district and \$1,276,139 is available to meet the District's current and future needs (unassigned fund balance).
- Unassigned fund balance for the general fund was \$1,660,056 or 50% of total general fund expenditures at June 30, 2018 and \$1,276,139 or 32% at June 30, 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise of three components 1) Government-Wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Basic Financial Statements.

Government-wide Financial Statements: are designed to provide readers with a broad overview of the District's finances.

The Statement of Net Position: presents information on all District assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

**Mission Oaks Recreation and Park District
Management's Discussion and Analysis
June 30, 2018 and 2017**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The Statement of Activities: presents information showing how net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (i.e. uncollected taxes and earned but unused vacation leave.)

Fund Financial Statements: are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and to demonstrate finance-related compliance. All of the funds of the District are divided into one category which are all considered *governmental funds*.

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as of balances of spendable

Fund Financial Statements (Continued)

resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate comparison between governmental funds and governmental activities.

Notes to the Basic Financial Statements: provide additional information that is essential to a full understanding of the data provided in the District's basic financial statements. The notes are included immediately following the basic financial statements within this report.

**Mission Oaks Recreation and Park District
Management's Discussion and Analysis
June 30, 2018 and 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Overall, the District has started to experience a recovery of its property tax base and increases in program revenue generation while holding operational costs increases to the minimum possible to achieve objectives. The District has continued to work in partnership with other recreation & park districts, schools, community organizations, and service groups, and business to address the mission to satisfy the recreational needs of the Community by providing a wide range of facilities and opportunities to enrich the quality of life. A summary of the District's Statement of Net Position is presented below:

**Condensed Statement of Net Position
Fiscal Years Ended June 30, 2018, 17 and 2016**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Assets			
Current and Other Assets	\$ 2,120,655	\$ 4,235,774	\$ 3,791,988
Capital Assets – Net	<u>13,621,977</u>	<u>11,288,665</u>	<u>4,511,169</u>
Total Assets	15,742,632	15,524,439	8,303,157
Deferred outflows of resources	2,932,198	1,286,450	294,092
Liabilities			
Current/non current	3,696,089	2,398,896	366,782
Deferred inflows of resources	1,035,763	427,057	512,141
Net Position			
Invested in capital assets	13,621,977	11,288,665	10,767,341
Net position - restricted	1,769	15,945	362,136
Unrestricted net position	<u>319,232</u>	<u>2,680,326</u>	<u>2,239,147</u>
Total Net Position	<u>\$13,942,978</u>	<u>\$13,984,936</u>	<u>\$13,368,624</u>

**Mission Oaks Recreation and Park District
Management's Discussion and Analysis
June 30, 2018 and 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following is a summary of the Districts Revenue and Expense for the three years ended June 30, 2018.

**Condensed Statement of Activities
Fiscal Years Ended June 30, 2018, 17 and 2016**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Program Revenues:			
Recreation services	\$ 697,906	\$ 642,748	\$ 1,089,044
Operating and capital grants	-	-	
General Revenue:			
Property taxes and assessments	3,724,385	3,718,915	3,830,745
Use of money and property	80,755	110,630	70,645
Miscellaneous	298,580	362,953	514,533
Total Revenue	<u>4,801,626</u>	<u>4,835,246</u>	<u>5,504,967</u>
Expenses:			
Recreation and park activities	<u>4,843,585</u>	<u>5,227,816</u>	<u>4,496,085</u>
Changes in Net Position	(41,959)	(392,570)	1,008,882
Beginning Net Position	<u>13,984,936</u>	<u>14,377,506</u>	<u>13,368,624</u>
Ending Net Position	<u><u>\$13,942,978</u></u>	<u><u>\$13,984,936</u></u>	<u><u>\$14,377,506</u></u>

Capital Assets and Debt Administration

As of June 30, 2018, the District's investment in capital assets totalled \$13,621,977 net of accumulated depreciation. The investment in capital assets includes land, site improvements, buildings and improvements, and equipment. The capital assets are presented in the government-wide statement of net position. Additional detail is presented in the notes to the financial statements.

Projects completed during 2017 and 2018 include:

Assessment District Improvements/Projects

- Eastern Oaks Redevelopment to the Board of Supervisors
- Completion of Mission Oaks Nature Trail Project
- ADA restroom improvements in several parks

**Mission Oaks Recreation and Park District
Management's Discussion and Analysis
June 30, 2018 and 2017**

GENERAL FUND BUDGETARY HIGHLIGHTS

In reviewing the final budget versus actual activity, tax revenues were \$125,070 higher than projected as assessed property values continued to grow. Intergovernmental Revenues was lower than the budgeted by \$116,751 due in part to less grant funding than anticipated. "Other Revenues" were \$16,368 higher than budget due to unanticipated Sac Suburban Water reimbursements. Recreation revenues were \$26,763 higher due to an increase in participants and new programs and activities.

General fund expenditures were less than the budget by \$245,320. The difference was due mainly to the saving in salaries & benefits and services & supplies and because the District did not spend the contingency fund appropriation. The complete general fund budget to actual comparison schedule is included as required supplementary information following the basic financial statements.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

Mission Oaks has weathered economic conditions of the last few years by being financially conservative and with a "pay as you go" approach to spending. This approach has helped the District begin the re-development of Eastern Oak Park, ADA improvements, and some safety improvements.

The next few years the District is challenged by maintaining a park infrastructure that is (in some cases) forty years old. A positive turn in the State and Federal economics, the District can begin to implement its CIP program while maintaining the clean green and safe park motto. The District's relationship with the Sacramento Off-Duty Sheriff's Patrol and neighbourhood associations has staved off the growth of homelessness and encouraged the community to get to know one another through special events held throughout the district. Some events include the Maddox Park 4th of July Celebration and the National Night Out.

Mission Oaks is entering into its 18th year of the Maintenance and Improvement Assessment which is an essential part of maintaining and improving the park system and program. The District will continue to be a good partner of the San Juan Unified School District and will continue to seek potential partners for continued growth for the Arden Arcade and Carmichael communities.

Next year, the District will see the completion of many projects including Eastern Oak Park, Mission North Trail and the beginning of the Gibbons Park Master Plan.

ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide the District's customers, investors, and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District Administrator Daniel Burton at (916) 488-7276 ext. 3011 or the Mission Oaks Recreation and Park District office at (916) 488-2810.

MISSION OAKS RECREATION AND PARK DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018 and 2017

	2018	2017
ASSETS		
Cash and investments	\$ 1,727,957	\$ 4,216,014
Due from other governments	390,940	19,760
Restricted cash and investments	1,758	-
Capital assets, net of accumulated depreciation	13,621,977	11,288,665
Total Assets	15,742,632	15,524,439
 Deferred Outflows of Resources	 2,932,198	 1,286,450
LIABILITIES		
Current liabilities:		
Accounts payable and accruals	246,232	414,690
Accrued payroll	86,456	125,698
Deposits	2,453	2,453
Noncurrent liabilities		
Compensated absences	136,840	104,208
Long-term debt due in more than one year	3,224,108	1,751,847
Total Liabilities	3,696,089	2,398,896
 Deferred Outflows of Resources	 1,035,763	 427,057
NET POSITION		
Invested in capital assets	13,621,977	11,288,665
Restricted for developer deposits	1,769	15,945
Unrestricted	319,232	2,680,326
Total Net Position	\$ 13,942,978	\$ 13,984,936

**MISSION OAKS RECREATION & PARK DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	
Governmental Activities:					
Recreation	\$4,843,585	\$ 697,906	\$ -	\$ -	\$ (4,145,679)
Total Governmental Activities	<u>\$4,843,585</u>	<u>\$ 697,906</u>	<u>\$ -</u>	<u>\$ -</u>	(4,145,679)

General Revenues:

Property taxes	2,686,048
Intergovernmental revenues	242,300
Special assessments - Assessment District	1,009,119
In-lieu fees	29,218
Use of Money and Property	80,755
Donations, insurance proceeds, & other	<u>56,280</u>
Total general revenues	<u>4,103,720</u>
Change in net assets	(41,959)
Net position at beginning of fiscal year	<u>13,984,936</u>
Net position at end of fiscal year	<u>\$ 13,942,978</u>

**MISSION OAKS RECREATION & PARK DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
JUNE 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	
Governmental Activities:					
Recreation	\$5,227,816	\$ 642,748	\$ -	\$ -	\$ (4,585,068)
Total Governmental Activities	\$5,227,816	\$ 642,748	\$ -	\$ -	(4,585,068)

General Revenues:

Property taxes	2,499,522
Intergovernmental revenues	292,989
Special assessments - Assessment District	979,286
In-lieu fees	240,107
Use of Money and Property	110,630
Donations, insurance proceeds, & other	69,964
Total general revenues	4,192,498
Change in net assets	(392,570)
Net position at beginning of fiscal year	14,377,506
Net position at end of fiscal year	\$ 13,984,936

**MISSION OAKS RECREATION AND PARK DISTRICT
BALANCE SHEET
JUNE 30, 2018**

	General Fund	Landscape & Lighting Assessment District	Developer In-Lieu Fees	Park Development Fees	Total Governmental Funds
ASSETS					
Cash and investments	\$ 1,486,237	\$ 198,114	\$ -	\$ 43,606	\$ 1,727,957
Due from other government	385,176	5,494	11	259	390,940
Restricted cash and investments	-	-	1,758		1,758
Total Assets	\$ 1,871,413	\$ 203,608	\$ 1,769	\$ 43,865	\$ 2,120,655
LIABILITIES AND FUND EQUITY					
Liabilities					
Accounts payable and accruals	\$ 122,448	\$ 123,787	\$ -	\$ -	\$ 246,235
Accrued payroll	86,456	-	-	-	86,456
Deposits	2,453	-	-	-	2,453
Total Liabilities	211,357	123,787	-	-	335,144
Fund Equity					
Fund balances					
Reserved for park development	-	-	1,769	43,865	45,634
Assigned	-	79,821	-	-	79,821
Unassigned	1,660,056	-	-	-	1,660,056
Total Fund Equity	1,660,056	79,821	1,769	43,865	1,785,511
Total Liabilities and Fund Equity	\$ 1,871,413	\$ 203,608	\$ 1,769	\$ 43,865	\$ 2,120,655

**MISSION OAKS RECREATION AND PARK DISTRICT
BALANCE SHEET
JUNE 30, 2017**

	General Fund	Landscape & Lighting Assessment District	Developer In-Lieu Fees	Park Development Fees	Total Governmental Funds
ASSETS					
Cash and investments	\$ 1,501,015	\$ 2,702,548	\$ -	\$ 12,451	\$ 4,216,014
Due from other government	7,035	9,231	1,737	1,757	19,760
Total Assets	\$ 1,508,050	\$ 2,711,779	\$ 1,737	\$ 14,208	\$ 4,235,774
LIABILITIES AND FUND EQUITY					
Liabilities					
Accounts payable and accruals	\$ 103,760	\$ 310,930	\$ -	\$ -	\$ 414,690
Accrued payroll	125,698	-	-	-	125,698
Deposits	2,453	-	-	-	2,453
Total Liabilities	231,911	310,930	-	-	542,841
Fund Equity					
Fund balances					
Reserved for park development	-	-	1,737	14,208	15,945
Assigned	-	2,400,849	-	-	2,400,849
Unassigned	1,276,139	-	-	-	1,276,139
Total Fund Equity	1,276,139	2,400,849	1,737	14,208	3,692,933
Total Liabilities and Fund Equity	\$ 1,508,050	\$ 2,711,779	\$ 1,737	\$ 14,208	\$ 4,235,774

**MISSION OAKS RECREATION & PARK DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEETS TO THE
STATEMENTS OF NET POSITION
JUNE 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Fund Balances of Governmental Funds	\$ 1,785,511	\$ 3,692,933
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	13,621,977	11,288,665
Deferred outflows of resources reported in the statement of net position	2,932,198	1,286,450
Deferred inflows of resources reported in the statement of net position	(1,035,763)	(427,057)
The net pension liability does not require the usage of current financial resources.	(3,224,108)	(1,751,847)
Compensated absences are a long-term liability and as such, it is not reported in the fund financial statements but it is reported in the Statement of Net Position.	<u>(136,840)</u>	<u>(104,208)</u>
Net position of governmental activities	<u>\$ 13,942,975</u>	<u>\$ 13,984,936</u>

MISSION OAKS RECREATION AND PARK DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED
June 30, 2018

	General Fund	Landscape & Lighting Assessment District	Developer In- Lieu Fees	Park Development Fees	Total Governmental Funds
Revenues:					
Property taxes	\$ 2,686,048	\$ -	\$ -	\$ -	\$ 2,686,048
Special assessments	-	1,009,119	-	-	1,009,119
Intergovernmental revenues	217,989	24,311	-	-	242,300
Charges for current services	677,405	20,501	-	-	697,906
In-lieu fees	-	-	-	29,218	29,218
Use of money and property	66,510	13,771	32	442	80,755
Donations, insurance proceeds, & other	56,261	19	-	-	56,280
Total Revenues	3,704,213	1,067,721	32	29,660	4,801,626
Expenditures:					
Salaries and benefits	2,270,805	-	-	-	2,270,805
Services and supplies	998,901	728,936	-	-	1,727,837
Capital outlay	50,591	2,659,813	-	-	2,710,404
Total Expenditures	3,320,297	3,388,749	-	-	6,709,046
Excess (Deficit) of Revenues Over (Under) Expenditures	383,917	(2,321,028)	32	29,660	(1,907,420)
Fund Balances, July 1, 2017	1,276,139	2,400,849	1,737	14,205	3,692,933
Fund Balances, June 30, 2018	<u>\$ 1,660,056</u>	<u>\$ 79,821</u>	<u>\$ 1,769</u>	<u>\$ 43,865</u>	<u>\$ 1,785,514</u>

MISSION OAKS RECREATION AND PARK DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED
JUNE 30, 2017

	General Fund	Landscape & Lighting Assessment District	Developer In- Lieu Fees	Park Development Fees	Total Governmental Funds
Revenues:					
Property taxes	\$ 2,499,522	\$ -	\$ -	\$ -	\$ 2,499,522
Special assessments	-	979,286	-	-	979,286
Intergovernmental revenues	270,413	22,576	-	-	292,989
Charges for current services	622,792	19,956	-	-	642,748
In-lieu fees	-	-	6,204	233,903	240,107
Use of money and property	86,064	16,700	3,961	3,905	110,630
Donations, insurance proceeds, & other	69,114	850	-	-	69,964
Total Revenues	3,547,905	1,039,368	10,165	237,808	4,835,246
Expenditures:					
Salaries and benefits	3,249,967	-	-	-	3,249,967
Services and supplies	737,647	764,271	-	-	1,501,918
Capital outlay	-	734,581	-	6,083	740,664
Total Expenditures	3,987,614	1,498,852	-	6,083	5,492,549
Excess (Deficit) of Revenues Over (Under) Expenditures	(439,709)	(459,484)	10,165	231,725	(657,303)
Other Financing Sources (Uses)					
Operating transfers in	-	1,077,426	-	-	1,077,426
Operating transfers (out)	-	-	(491,448)	(585,978)	(1,077,426)
Total Other Financing Sources (Uses)	-	1,077,426	(491,448)	(585,978)	-
Fund Balances, July 1, 2016	1,715,848	1,782,907	483,020	368,461	4,350,236
Fund Balances, June 30, 2017	<u>\$ 1,276,139</u>	<u>\$ 2,400,849</u>	<u>\$ 1,737</u>	<u>\$ 14,208</u>	<u>\$ 3,692,933</u>

**MISSION OAKS RECREATION AND PARK DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
Net Change in Fund Balances - Total Governmental Funds	\$ (1,907,420)	\$ (657,303)
<p>Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the costs of those assets is allocated over their estimated useful lives as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:</p>		
Cost of assets capitalized	2,664,752	751,067
Depreciation expense	(382,031)	(612,131)
<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>		
Change in net pension liability	(435,219)	140,289
Changes in long-term compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore are not reported in the governmental funds.		57,084
Change in net position of governmental activities	\$ (59,918)	\$ (320,994)

MISSION OAKS RECREATION AND PARK DISTRICT
Notes to the Financial Statements
June 30, 2018 and 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District was organized in 1975 by a resolution passed by the County of Sacramento Board of Supervisors, under the California Public Resources Code, Section 5780. It is operated under the direction of a five-member Advisory Board of Directors appointed by the Sacramento County Board of Supervisors. The District is dependent on the Sacramento County Board of Supervisors and its financial activities are processed through the County Auditor-Controller's Office. The District serves approximately 60,500 residents in an area of 9.1 square miles. The District maintains fifteen parks, operates the Mission Oaks Community Center, and is authorized to and actually performs park and recreation services. The District merged with Windemere Recreation and Park District on October 12, 1993.

The accounting policies of the District conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The District has defined its reporting entity in accordance with generally accepted accounting principles, which provides 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. All such component units have been "blended" with the District's other fund types and account groups. All of the blended component units have June 30 year-ends.

Based upon the aforementioned oversight criteria, the following is a component units:

The Mission Oaks Landscape and Lighting District was formed by a majority vote of property owners as required by proposition 218. The property assessments began during the 1999-2000 fiscal year to provide additional funds needed for operational costs and capital improvements. The activities are included in the financial statements as a special revenue fund.

The District is a component unit of the County of Sacramento and its financial activities are included in the County's financial statements as a special revenue fund.

MISSION OAKS RECREATION AND PARK DISTRICT
Notes to the Financial Statements
June 30, 2018 and 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the primary government (the District) and its blended component units. These statements include the financial activities of the overall government, except for fiduciary activities.

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.

When both restricted and unrestricted net position are available, restricted resources are used only after the unrestricted resources are depleted.

Fund Financial Statements

The fund financial statements provide information about the District's funds, including blended component units. 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 nonmajor funds.

The District reports the following major 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.

The Landscape and Lighting Assessment District - was established to account for a District-Wide assessment that can be used for certain operational expenditures and capital additions of the District.

C. Measurement Focus and 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.

MISSION OAKS RECREATION AND PARK DISTRICT
Notes to the Financial Statements
June 30, 2018 and 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 financing sources.

D. Non-Current Governmental Assets/Liabilities

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

E. Basis of Presentation

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's resources are accounted for in these individual funds based on the purposes for which they are to be spent and the means by which spending activity is controlled. For financial reporting, these funds have been grouped into the fund types discussed below.

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 and similar trust 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 landscape and lighting assessment districts and developer fees that are legally restricted to expenditures for specific purposes.

MISSION OAKS RECREATION AND PARK DISTRICT
Notes to the Financial Statements
June 30, 2018 and 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

G. Restricted Assets

Restricted assets are financial resources generated for a specific purpose such as construction of improvements. These amounts are restricted, as their use is limited by external requirements.

H. Capital Assets

Capital assets, recorded at historical cost or estimated historical cost if actual historical cost is not available, are reported in governmental activities column of the government-wide financial statements. Contributed fixed assets are valued at their estimated fair market value. Capital assets include land, buildings and building improvements, and equipment. 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 assets 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	30 years
Building improvements	15 years
Site improvements	10-20 years
Equipment and machinery	5 to 20 years

I. Compensated Absences

Compensated absences represent the vested portion of accumulated vacation and sick leave. 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 Medicare taxes. 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, 2015, a long-term liability for unpaid vacation and sick leave has been recorded in the government-wide statement of net position representing the District's commitment to fund such costs from future operations.

MISSION OAKS RECREATION AND PARK DISTRICT
Notes to the Financial Statements
June 30, 2018 and 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Fund Balances

In February 2009, the GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which establishes accounting and financial reporting standards for all governments that report governmental funds. Under GASB 54, fund balance for governmental funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are now broken out in five categories:

- Nonspendable Fund Balance – this fund balance classification includes amounts that cannot be spent because they are either not in spendable form (i.e. – prepaid expenses) or legally or contractually required to be maintained intact.
- Restricted Fund Balance – this fund balance classification should be reported when there are constraints placed on the use of resources externally (by creditors, grant sources, contributors, etc.) or imposed by law or enabling legislation.
- Committed Fund Balance – this fund balance classification can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision making authority (i.e. – fund balance designations passed by board resolution).
- Assigned Fund Balance – this fund balance classification are amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed.
- Unassigned Fund Balance – this classification is the residual classification for the general fund.

K. Property Tax

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 instalments 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.

L. 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.

MISSION OAKS RECREATION AND PARK DISTRICT
Notes to the Financial Statements
June 30, 2018 and 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. 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 source of financing.

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

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 Advisory Board of Directors. Significant amendments and appropriation transfers between objects or funds must be approved by the Advisory Board of Directors. Appropriations lapse at fiscal year-end.

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

N. Pensions

For purposes 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) plan, and additions to/deductions from the Plans' 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 and 2017 , consisted of the following:

	<u>2018</u>	<u>2017</u>
Imprest cash	\$ 2,000	\$ 2,000
Cash and investments with the County	<u>1,727,715</u>	<u>4,214,014</u>
Total cash and investments	<u>\$ 1,729,715</u>	<u>\$ 4,216,014</u>

MISSION OAKS RECREATION AND PARK DISTRICT
Notes to the Financial Statements
June 30, 2018 and 2017

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 Mission Oaks 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 will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. 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*	<u>\$1,729,715</u>	<u>\$1,729,715</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Totals	<u><u>\$1,729,715</u></u>	<u><u>\$1,729,715</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

*Not subject to categorization

MISSION OAKS RECREATION AND PARK DISTRICT
Notes to the Financial Statements
June 30, 2018 and 2017

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

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. 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: CAPITAL ASSETS

Activity in general fixed assets for the fiscal years ended June 30, 2017 and 2018 capitalized by the District is summarized below:

	Balance June 30, 2016	Additions	Adjustments/ Retirements	Balance June 30, 2017
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 2,979,402	\$ -	\$ 401,182	\$ 3,380,584
Construction in progress	367,222	653,506	-	1,020,728
Total capital assets, not being depreciated	3,346,624	653,506	401,182	4,401,312
Capital assets, being depreciated:				
Site improvements	6,785,063	563,008	(654,823)	6,709,054
Buildings and improvements	6,350,223	-	361,624	6,728,547
Equipment	530,901	24,999	(77,596)	512,972
Total capital assets, being depreciated	13,666,187	588,007	(370,795)	13,950,573
Total accumulated depreciation	(6,074,033)	(612,131)	-	(7,063,220)
Total capital assets, being depreciated, net	7,592,154	(24,124)	(370,795)	6,887,353
Governmental activities capital assets, net	<u>\$ 10,938,778</u>	<u>\$ 629,382</u>	<u>\$ 30,387</u>	<u>\$ 11,288,665</u>

MISSION OAKS RECREATION AND PARK DISTRICT
Notes to the Financial Statements
June 30, 2018 and 2017

NOTE 3: CAPITAL ASSETS (CONTINUED)

	Balance June 30, 2017	Additions	Adjustments/ Retirements	Balance June 30, 2018
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 3,380,584	\$ -	\$ -	\$ 3,380,584
Construction in progress	1,020,728	2,715,343	-	3,736,071
Total capital assets, not being depreciated	4,401,312	2,715,343	-	7,116,655
Capital assets, being depreciated:				
Site improvements	6,709,054	-	-	6,709,054
Buildings and improvements	6,728,547	-	-	6,728,547
Equipment	512,972	-	-	512,972
Total capital assets, being depreciated	13,950,573	-	-	13,950,573
Total accumulated depreciation	(7,063,220)	(382,031)	-	(7,445,251)
Total capital assets, being depreciated, net	6,887,353	(382,031)	-	6,505,322
Governmental activities capital assets, net	<u>\$ 11,288,665</u>	<u>\$ 2,333,312</u>	<u>\$ -</u>	<u>\$ 13,621,977</u>

Depreciation expense of \$ 382,031 and \$612,131 was charged to recreation for the years ended June 30, 2018 and 2017 respectively.

NOTE 4: LONG-TERM LIABILITY

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the years ended June 30, 2018 and 2017:

	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017
Net pension liability	\$ 1,090,155	\$ 661,692		\$ 1,751,847
Compensated absences	89,716		(57,084)	32,632
Totals	<u>\$ 1,179,871</u>	<u>\$ 661,692</u>	<u>\$ (57,084)</u>	<u>\$ 1,784,479</u>

	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018
Net pension liability	\$ 1,751,847	\$ 1,472,261		\$ 3,224,108
Compensated absences	32,632			32,632
Totals	<u>\$ 1,784,479</u>	<u>\$ 1,472,261</u>	<u>\$ -</u>	<u>\$ 3,256,740</u>

MISSION OAKS RECREATION AND PARK DISTRICT
Notes to the Financial Statements
June 30, 2018 and 2017

NOTE 5: 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 of Park 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 and workers compensation coverage. Membership in the California Association of Recreation and Park Districts is required when applying for either CAPRI.

The Agreement for Formation provides that CAPRI will be self-sustaining through member premiums and will reinsure through commercial companies for claims up to \$10,000,000 for general and automobile liability 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.

NOTE 6: TRUST ACCOUNTS

Park Dedication Trust Fund

The County maintains two trust account for the benefit of Mission Oaks Recreation and Park District. The corpus of the trusts consists of in-lieu fees paid by developers of subdivisions within the boundaries of the District including a separate trust established within the merged Windemere Recreation and Park boundaries. The use of the developer in lieu funds is restricted under the Quimby Act for the purpose of providing park and recreation facilities to serve the population. These funds are accounted for in a special revenue fund for financial statement presentation.

NOTE 7: DEFINED BENEFIT PENSION COST-SHARING EMPLOYER PLAN

A. General Information about the Pension Plans

Plan Descriptions –The Mission Oaks 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 4.76% of their bi-weekly salary. Mission Oaks does not contribute to Social Security. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The District contribution rates for the 2017 and 2018 fiscal years were 6.25% and 6.25%, respectively. The actuarial methods and assumptions used are those adopted by the SCERS' Board of Administration. Under the actuarial

MISSION OAKS RECREATION AND PARK DISTRICT
Notes to the Financial Statements
June 30, 2018 and 2017

NOTE 7: DEFINED BENEFIT PENSION COST-SHARING EMPLOYER PLAN (CONTINUED)

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 Plans' provisions and benefits in effect at June 30, 2018 and 2017, are summarized as follows:

Hire Date	Prior To January 1, 2013	On or After January 1, 2013
Benefit Formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for Life	Monthly for Life
Retirement payments	50-55	52-67
Monthly benefits as a % of eligible	1.5% to 2%	1.0% to 2%
Required contribution rates	5.18%	6.25%
Required employer contribution rates	28.15%	6.25%

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the years ended June 30, 2018 and 2017, the total employer contributions made were \$314,456 and \$330,000. The District presently makes contributions in behalf of its employees.

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

At June 30, 2018 and 2017, the District reported a net pension liability of \$3,224,108 and \$1,751,847 in the Statement of Net Position for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, which was actuarially determined.

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2018 and 2017, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 and 2017, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

MISSION OAKS RECREATION AND PARK DISTRICT
Notes to the Financial Statements
June 30, 2018 and 2017

NOTE 7: DEFINED BENEFIT PENSION COST-SHARING EMPLOYER PLAN (CONTINUED)

For the years ended June 30, 2018 and 2017, the District recognized pension expense of \$749,675 and 258,853. At June 30, 2018 and 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

June 30, 2018		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 135,746
Changes in assumptions	998,381	17,207
Net differences between projected and actual earnings	1,022,895	857,862
Changes in proportion	596,466	24,951
District contributions subsequent to measurement date	314,456	-
Totals	\$ 2,932,198	\$ 1,035,766

June 30, 2017		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 106,966
Changes in assumptions	-	28,261
Net differences between projected and actual earnings	898,821	257,569
Changes in proportion	57,629	34,261
District contributions subsequent to measurement date	330,000	-
Totals	\$ 1,286,450	\$ 427,057

MISSION OAKS RECREATION AND PARK DISTRICT
Notes to the Financial Statements
June 30, 2018 and 2017

NOTE 7: DEFINED BENEFIT PENSION COST-SHARING EMPLOYER PLAN (CONTINUED)

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

Year Ending June 30,		
2019	\$	371,253
2020		615,483
2021		465,077
2022		130,166
Totals	\$	1,581,979

The total pension liability in the June 30, 2018 and 2017 actuarial valuations was determined using the following actuarial assumptions. Total pension liability represents the portion of the actuarial present value of projected benefit payments attributable to past periods of service for current and inactive employees.

- Discount Rate/Rate of Return – 7.5%, net of investment expense (7.0% for the 2018 fiscal year)
- Inflation Rate – 3.25%
- Salary increases – Varies by Entry Age and Service – 4.50% to 11.5% plus across the board salary increases of .25% per year, plus merit and promotional increases.
- Post-Retirement Mortality – Derived from RP-2000 combined healthy mortality table projected with Scale BB to 2022.

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

The target allocation and best estimates of arithmetic real rates of return (net of expected inflation) for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	22.50%	5.98%
International Equity	22.50%	7.23%
Fixed Income	20.00%	1.25%
Hedge Funds	10.00%	3.20%
Private Equity	10.00%	12.82%
Real Assets	15.00%	5.64%

MISSION OAKS RECREATION AND PARK DISTRICT
Notes to the Financial Statements
June 30, 2018 and 2017

NOTE 7: DEFINED BENEFIT PENSION COST-SHARING EMPLOYER PLAN (CONTINUED)

The discount rate used to measure the total pension liability was 7.0 percent for the 2018 fiscal year and 7.5% for the 2017 fiscal year. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension fund’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. In theory, the discount rate may differ from the long-term expected rate of return discussed previously. However, based on the projected availability of the pension fund’s fiduciary net position, the discount rate is equal to the long-term expected rate of return on pension plan investments, and was applied to all periods of projected benefit payments to determine the total pension liability.

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 for each Plan, calculated using the discount rate for each Plan, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Discount Rate	1% increase
2018 fiscal year proportionate share - 7% rate	\$ 5,552,824	\$ 3,224,108	\$ 1,323,476
2017 fiscal year proportionate share - 7.5% rate	\$ 2,978,142	\$ 1,751,847	\$ 736,156

NOTE 8: DEFINED CONTRIBUTION PENSION PLAN

Effective April 16, 2007, the District began a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is established as an alternative plan to social security and requires all District part time employees, who are not participants in SCERS, to defer a portion of their salary until future years. Plan provisions are established or amended by District board resolution. The District contributes 0% and the part time employees contribute 7.5% of their salary. Participants vest at service inception and are entitled to 100% of vested contributions.

NOTE 9: POST-RETIREMENT HEALTHCARE BENEFITS

Regular Full-time and Regular part-time annuitants of the District are eligible to participate in the Retiree Health and Dental Insurance Program. Whether health plan offerings continue is vested within the sole discretion of the Sacramento County Board of Supervisors. Whether or not subsidization continues, and if so, the level of the subsidy, or whether or not the District continues participation in the County Retiree Medical and Dental Insurance Program is vested within the sole discretion of the District through agreement with the County of Sacramento. The District does not fund the retiree healthcare benefits, but rather utilizes the “pay as you go” method.

MISSION OAKS RECREATION AND PARK DISTRICT
Notes to the Financial Statements
June 30, 2018 and 2017

NOTE 10: DEFERRED COMPENSATION PENSION PLANS

The plan is a single-employer plan with the assets held in trust by VALIC. All full time salaried and/or part-time employees are eligible but not required to participate in the plan. The plan is defined in the Internal Revenue Code Section 457. The plan is funded by employee contributions. There are no employer matching contributions.

Participant's accounts are credited with the employee contributions. Investment earnings and losses as well as administrative expenses are also charged to participant accounts. Allocations are based on participant's earnings and losses of chosen investments or account balances. The benefit to which a participant is entitled is the benefit that can be provided from the vested portion of the participant's account.

In case of partial or complete termination of the plan the rights to the plan benefits become fully vested regardless of any other provisions of the plan and trusts. The trust accounts would continue until all accounts have been distributed in accordance with the provisions of the plan.

Upon participant termination from services due to death, disability or retirement, a participant may elect to receive either a lump sum amount equal to the value of the participant's vested interest in his or her account or instalments over a period selected by the participant. For termination of service due to other reasons, a participant may receive the vested interest in his or her account as a lump sum distribution. The portion of the account that is not vested upon termination will be used to offset future employer contributions.

NOTE 11: NET POSITION/FUND BALANCES

Net Position- The government-wide activities fund financial statements utilize a net position presentation. Net position are categorized as net investment of capital asset, restricted and unrestricted.

- *Net Investment of Capital Asset* – This category groups all capital assets, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* – This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law though constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – This category represents net position of the District, not restricted for any project or other purpose.

MISSION OAKS RECREATION AND PARK DISTRICT
Notes to the Financial Statements
June 30, 2018 and 2017

NOTE 11: NET POSITION/FUND BALANCES

Fund Balances

In the fund financial statements, reserves segregate portions of fund balance that are either not available or have been earmarked for specific purposes.

As of June 30, 2018 and 2017, reservations of fund balance are as described below:

The term “reserved” is used to indicate that a portion of reported fund balance is legally restricted to a specific purpose or not available for appropriation or expenditure. The District has reserved fund balances as follows:

- *Reserved for trust funds*- unavailable for appropriation because the District must use these funds for future capital improvements in lieu of developers directly making improvements.

NOTE 12: 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. 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.

NOTE 13: GANN SPENDING LIMIT

Amount of limit for 2014/15	\$ 16,421,361
Total subject revenue 2014/15	4,503,563
Amount under (over) limit	<u>\$ 20,924,924</u>

NOTE 14: LOAN RECEIVABLE

The District’s Advisory Board of Directors voted to loan district funds to the Carmichael Recreation & Park District for an amount totalling \$600,000 during the 2012-2013 fiscal year. The Carmichael Recreation & Park District will make instalment payments on each January 1 of the years 2013, 2014, 2015, 2016 and 2017 in an amount equal to 20% of the unpaid loan balance borrowed. The interest rate is 1% more than what the county of Sacramento provides in its interest apportionment. The note was paid in full during the year ended June 30, 2017.

NOTE 15: PARK IMPACT FEES

The Mission Oaks Recreation and Park District Park Development Impact Fee Program was established to finance construction of park and recreational facilities including community use facilities, District and County park impact fee administration costs, and other related facility costs resulting from population growth caused by new development in the Mission Oaks Recreation and Park District’s Park Development Impact Fee Program area. These funds are held by the County of Sacramento.

MISSION OAKS RECREATION AND PARK DISTRICT
Notes to the Financial Statements
June 30, 2018 and 2017

NOTE 16: SUBSEQUENT EVENTS REVIEW

The Mission Oaks Recreation and Park District Park management has reviewed subsequent events through February 3, 2020, the date that the financial statements were available or to be released. No items that required additional disclosure or adjustment to the June 30, 2018 financial statements were noted during this review.

REQUIRED SUPPLEMENTARY INFORMATION

**MISSION OAKS RECREATION AND PARK DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Property taxes	\$ 2,457,500	\$ 2,457,500	\$ 2,686,048	\$ 228,548
Intergovernmental revenues	220,000	220,000	217,989	(2,011)
Charges for current services	610,000	610,000	677,405	67,405
Investment & rental income	62,500	62,500	66,510	4,010
Donations, insurance proceeds, & other	63,000	63,000	56,261	(6,739)
Total revenues	<u>3,413,000</u>	<u>3,413,000</u>	<u>3,704,213</u>	<u>291,213</u>
Expenditures:				
Salaries and benefits	2,407,380	2,407,380	2,270,805	136,576
Services and supplies	1,238,815	1,238,815	998,901	239,914
Capital outlay	150,000	150,000	50,591	99,409
Total expenditures	<u>3,796,195</u>	<u>3,796,195</u>	<u>3,320,297</u>	<u>475,899</u>
Net changes in fund balances	<u>\$ (383,195)</u>	<u>\$ (383,195)</u>	<u>383,917</u>	<u>\$ (184,686)</u>
Fund balances - July 1, 2017			<u>1,276,139</u>	
Fund balances - June 30, 2018			<u>\$ 1,660,056</u>	

**MISSION OAKS RECREATION AND PARK DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Property taxes	\$ 2,300,437	\$ 2,300,437	\$ 2,499,522	\$ 199,085
Intergovernmental revenues	404,250	404,250	270,413	(133,837)
Charges for current services	580,000	580,000	622,792	42,792
Use of money and property	61,000	61,000	86,064	25,064
Donations, insurance proceeds, & other	55,000	55,000	69,114	14,114
	<u>3,400,687</u>	<u>3,400,687</u>	<u>3,547,905</u>	<u>147,218</u>
Expenditures:				
Salaries and benefits	3,471,077	3,471,077	3,249,967	221,110
Services and supplies	790,705	790,705	737,647	53,058
Capital outlay	-	-	50,591	(50,591)
	<u>4,261,782</u>	<u>4,261,782</u>	<u>4,038,205</u>	<u>223,577</u>
Net changes in fund balances	<u>\$ (861,095)</u>	<u>\$ (861,095)</u>	<u>(490,300)</u>	<u>\$ (76,359)</u>
Fund balances - July 1, 2016			<u>1,715,848</u>	
Fund balances - June 30, 2017			<u>\$ 1,225,548</u>	

**MISSION OAKS RECREATION AND PARK DISTRICT
LANDSCAPE AND LIGHTING ASSESSMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental revenues	\$ 275,000	\$ 275,000	\$ 24,311	\$ (250,689)
Special assessments	1,017,639	1,017,639	1,009,119	(8,520)
Charges for current services	20,000	20,000	20,501	501
Investment & rental income	8,000	8,000	13,771	5,771
Other	6,368	6,368	19	(6,349)
	<u>1,327,007</u>	<u>1,327,007</u>	<u>1,067,721</u>	<u>(259,286)</u>
Expenditures:				
Services and supplies	754,000	754,000	728,936	25,064
Capital outlay	3,075,774	3,075,774	2,659,813	415,961
	<u>3,829,774</u>	<u>3,829,774</u>	<u>3,388,749</u>	<u>441,025</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	<u>\$ (2,502,767)</u>	<u>(2,502,767)</u>	<u>(2,321,028)</u>	<u>(700,311)</u>
Fund Balances, July 1, 2016			<u>2,400,849</u>	
Fund Balances, June 30, 2017			<u>\$ 79,821</u>	

**MISSION OAKS RECREATION AND PARK DISTRICT
LANDSCAPE AND LIGHTING ASSESSMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental revenues	\$ 178,066	\$ 178,066	\$ 22,576	\$ (155,490)
Special assessments	965,249	965,249	979,286	14,037
Charges for current services			19,956	19,956
Use of money and property	47,113	47,113	16,700	(30,413)
Other	-	-	850	850
	<u>1,190,428</u>	<u>1,190,428</u>	<u>1,039,368</u>	<u>(151,060)</u>
Expenditures:				
Services and supplies	1,021,000	1,021,000	764,271	256,729
Capital outlay	1,342,057	1,342,057	734,581	607,476
	<u>2,363,057</u>	<u>2,363,057</u>	<u>1,498,852</u>	<u>864,205</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	<u>\$ (1,172,629)</u>	<u>(1,172,629)</u>	<u>(459,484)</u>	<u>(1,015,265)</u>
Other Financing Sources (Uses)				
Operating transfers in			1,077,426	
Operating transfers (out)			-	
Total Other Financing Sources (Uses)			<u>1,077,426</u>	
Fund Balances, July 1, 2016			<u>1,782,907</u>	
Fund Balances, June 30, 2017			<u>\$ 2,400,849</u>	

MISSION OAKS RECREATION AND PARK DISTRICT
Supplementary Information -Pension
June 30, 2018 and 2017

Last 10 Fiscal years*:

Fiscal Years ended June 30:

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
District's proportion of the net pension liability	.083%	.095%	.100%	.154%
District's proportionate share of the net pension liability	\$ 643,111	\$ 1,090,155	\$ 1,751,847	\$ 3,224,108
District's covered employee payroll	\$ 826,000	\$ 851,000	\$ 782,000	\$ 1,116,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	77.86%	128.10%	224.02%	288.89%
Plan Fiduciary net position as a percentage of the total pension liability	93.16%	89.46%	83.21%	82.52%

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

SCERS - Schedule of District contributions

Last 10 Fiscal Years*:

Fiscal Years ended June 30:

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Actuarially determined contribution	\$ 232,000	\$ 258,000	\$ 221,133	\$ 330,000
Total actual contributions	(232,000)	(258,000)	(221,133)	(330,000)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 826,000	\$ 826,000	\$ 851,000	\$ 782,000
Contributions as a percentage of covered employee payroll	28.09%	31.23%	25.98%	42.19%

See accompanying notes to required supplementary information

MISSION OAKS RECREATION AND PARK DISTRICT
Notes to Required Supplementary Information
June 30, 2018 and 2017

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 source of financing.

Budgets for the general and special revenue funds are adopted on the modified accrual basis of accounting. The budgets for the general and special revenue funds are the only legally adopted budgets. Budgets for the debt service fund are used for management and control purposes only.

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 Advisory Board of Directors. Significant amendments and appropriation transfers between objects or funds must be approved by the Advisory Board of Directors. Appropriations lapse at fiscal year-end.

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