

**MISSION OAKS  
RECREATION & PARK DISTRICT  
MANAGEMENT REPORT  
FOR THE YEAR ENDED JUNE 30, 2016**

**MISSION OAKS RECREATION & PARK DISTRICT**

Management Report  
For the Year Ended June 30, 2016

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Board of Directors of the  
Mission Oaks Recreation & Park District  
Sacramento, California

In planning and performing our audit of the financial statements of the Mission Oaks Recreation & Park District for the year ended June 30, 2016, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

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

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

Fechter & Company,  
Certified Public Accountants



Sacramento, California  
February 22, 2018

**MISSION OAKS RECREATION & PARKS DISTRICT**  
**Required Communications**  
**For the Year Ended June 30, 2016**

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

As stated in our engagement letter dated August 12, 2016, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

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

As part of obtaining reasonable assurance about whether the District financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

**Significant Accounting Policies**

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

**Internal Control Related Matters**

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

- Having someone independent of the bank reconciliation function review the county statements on a monthly basis.
- Examining financial statements on a monthly basis at the management and department levels.
- Examining a budget to actual report on a frequent basis.
- Comparing the financial statements on a detailed level to the prior year on a frequent basis.

**MISSION OAKS RECREATION & PARKS DISTRICT**  
**Required Communications**  
**For the Year Ended June 30, 2016**

- Having someone independent of the payroll process review payroll on a bi-weekly basis, checking for accuracy of pay rates, paid time off recorded, etc..
- Verifying that a second person is approving all disbursement activity and that an individual independent of the accounting function is signing claim forms and asking questions about invoices presented for payment.
- Frequently displaying “professional skepticism” when considering staff responses on District finances.

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

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

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

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

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

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

*Information and Communication* are the District’s methods of identifying what information is relevant to present to management and the board to assist the District in making the correct decisions.

**MISSION OAKS RECREATION & PARKS DISTRICT**  
**Required Communications**  
**For the Year Ended June 30, 2016**

It also is in reference to the District's internal processes of gathering and summarizing that information.

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

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

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

### **Accounting Estimates**

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

- Accrual and disclosure of compensated absences
- Capital asset lives and depreciation expense
- Sacramento County Retirement Employee Retirement System actuarial study to determine annual required contributions for pension plan

### **Audit Adjustments**

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

- Posting of all GASB 34 entries on behalf of the district
- Reclassifying loan payments received from the Carmichael Recreation & Park District. Staff presently records payments on the note as revenue in the monthly budget while under GAAP reporting it is offset against the overall balance due.

**MISSION OAKS RECREATION & PARKS DISTRICT**  
**Required Communications**  
**For the Year Ended June 30, 2016**

**Disagreements with Management**

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

**Consultations with Other Independent Auditors**

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

**Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Difficulties Encountered in Performing the Audit**

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

**MISSION OAKS RECREATION & PARKS DISTRICT**  
**Prior Year Findings**  
**For the Year Ended June 30, 2016**

**Condition**

The following condition was noted in the audit dated June 30, 2015:

“During our search for unrecorded liabilities we noted the District Administrator retired after the fiscal year-end and was paid out compensated absences (vacation and sick accruals). The District policy and the District Administrator’s contract requires that the accrued sick leave hours be applied to years of service with the Sacramento County Employees’ Retirement System (SCERS). There is no provision in District policy or the Administrator’s contract for any portion of accrued sick leave to be paid out. Management directed staff to apply 50% of the accrued sick leave to years of service with the retirement plan and to pay out the other 50%. The pay-out amounted to 1,376.30 hours and cost the District \$74,512.88 which was paid in September 2015. We recommend the District determine why the internal controls over sick leave payouts did not detect the error in paying out the Administrator’s sick leave. We also recommend the District seek legal counsel guidance on how to proceed with reversing the payout and applying the hours to years of service with SCERS in accordance with District policy.

**Results:**

We followed up on the status of this condition during the audit of the 2015/2016 fiscal year audit. We noted that per the auditor’s recommendation that the District solicit counsel from its attorney on the matter. The Attorney’s written response was as follows:

“In July 2016, I advised District Manager (name omitted) that although our legal opinion dated February 17, 2016, regarding the payment was still valid, it needed to be clarified due to discovery of the following new facts: 1) we mistakenly believed the County retirement sick leave payout policies were applicable to the District, when, in fact, they are not; and 2) we were misinformed that the MORPD had paid out previous management staff and that such precedent supported the payout. I discussed this situation with District Manager and let him know that the MORPD board could chose to either require the manager to repay the sick leave payout, or not. I informed him that our Office did not recommend requiring manager to pay back the sick leave sum because it would prove extremely burdensome on District staff, manager, and SCERS and it was not a gift of public funds. The District Board decided to not require the manager to pay back her sick leave pay out.”

The District has since addressed this issue and adopted a policy explaining how a sick leave retirement payout will be handled moving forward. The policy and procedure states that a management employee who retires has the option to be paid the monetary value of one-half accrued sick leave at the time of retirement or have all accrued sick leave applied to their service credit for calculation at retirement. Payment will be made after the retirement board has approved the amount of the employee’s retirement allowance. Sick leave payout will apply only to persons who retire from District service. Persons who separate from District service without retiring shall lose all right to sick leave payoff, whether or not such person receives a deferred retirement. For purposes related to this policy, a Management Employee is defined as the District Administrator.



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JUNE 30, 2016**

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Mission Oaks Recreation and Park District as of and for the fiscal year ended June 30, 2016, 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 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, 2016, 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.

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 3–7, the budgetary comparison for the General Fund and Landscape and Lighting Assessment District on pages 29–30, 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

A handwritten signature in cursive script that reads "Fechter & Company, CPAs". The signature is written in dark ink and is positioned above the printed name and address of the firm.

Sacramento, California  
February 22, 2018

**Mission Oaks Recreation and Park District  
Required Supplementary Information  
Management's Discussion and Analysis  
June 30, 2016**

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 year ended June 30, 2016. This information is presented in conjunction with the audited basic financial statements, which follows this section.

**FINANCIAL HIGHLIGHTS FOR FISCAL YEAR ENDING JUNE 30, 2016**

- The assets of the District exceeded liabilities at the close of the 2015-2016 fiscal year by \$14,377,506 (net position), an increase over the previous year by \$1,008,882. Of this amount, \$2,376,296 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors, and \$11,149,729 is the net investment in capital assets.
- As of June 30, 2016, the District's governmental funds reported combined fund balances of \$4,350,236, of which \$851,481 is restricted for park development \$1,782,907 is assigned for future spending as allowed by the landscape and lighting district and \$1,715,848 is available to meet the District's current and future needs (unassigned fund balance).
- At the end of the fiscal year, unassigned fund balance for the general fund was \$1,715,848 or 52% of total general fund expenditures.

**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.

**1) 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.

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.)

**2) 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 can be divided into one category: governmental funds.

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. 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

**Mission Oaks Recreation and Park District  
Required Supplementary Information  
Management's Discussion and Analysis  
June 30, 2016**

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

**2) 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.

**3) 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.

**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, 2016 and 2015**

	2016	2015
Current and Other Assets	\$4,610,721	\$ 3,791,988
Capital Assets – Net	11,149,729	4,511,169
Total Assets	\$15,760,450	\$ 8,303,157
Deferred outflows of resources	221,333	294,092
 Liabilities		
Current/non-current	\$ 1,440,356	\$ 366,782
Deferred inflows of resources	163,921	512,141
Net Position:		
Invested in capital assets	11,149,729	10,767,341
Net position - restricted	851,481	362,136
Unrestricted net position	2,376,296	2,239,147
Total Net Position	\$14,377,506	\$13,368,624

**Mission Oaks Recreation and Park District  
Required Supplementary Information  
Management's Discussion and Analysis  
June 30, 2016**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**Condensed Statement of Activities  
Fiscal Years Ended June 30, 2016 and 2015**

	2016	2015
Program Revenues:		
Recreation services	\$ 1,089,044	\$ 586,763
Operating and capital grants	-	409,306
General Revenue:		
Property taxes and assessments	3,345,601	3,334,296
Use of money and property	70,645	10,684
Miscellaneous	999,677	162,514
Total Revenue	5,504,967	4,503,563
Expenses:		
Recreation and park activities	4,496,085	3,908,184
Total Expense	4,496,085	3,908,184
Changes in Net Position	1,008,882	595,379
Beginning Net Position	13,368,624	13,801,402
Prior period adjustment	-	(1,028,157)
Ending Net Position	\$14,377,506	\$13,368,624

**CAPITAL ASSETS and DEBT ADMINISTRATION**

As of June 30, 2016, the District's investment in capital assets totalled \$11,149,729 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. The following presents the capital assets net of accumulated depreciation:

**Capital Assets  
Governmental Activities:  
Ended June 30, 2016 and 2015**

	2016	2015
Land	\$2,979,402	\$2,979,402
Construction in progress	367,222	195,785
Site improvements	7,348,071	6,785,063
Buildings and improvements	6,350,223	6,350,223
Equipment	555,900	530,901
Accumulated depreciation	(6,451,089)	(6,074,033)
Total	\$11,149,729	\$10,767,341

**Mission Oaks Recreation and Park District  
Required Supplementary Information  
Management’s Discussion and Analysis  
June 30, 2016**

**CAPITAL ASSETS and DEBT ADMINISTRATION (Continued)**

**Projects completed in FY 2015-16 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

**GENERAL FUND BUDGETARY HIGHLIGHTS**

In reviewing the final budget versus actual activity, tax revenues were \$185,519 higher than projected as assessed property values continued to grow. Intergovernmental Revenues was lower than the budgeted by \$150,609 due in part to less grant funding than anticipated. “Other Revenues” were \$34,368 higher than budget due to unanticipated Sac Suburban Water reimbursements. Recreation revenues were \$22,798 higher due to an increase in participants and new programs and activities.

General fund expenditures were less than the budget by \$519,577. 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 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 4<sup>th</sup> of July Celebration and the National Night Out.

Mission Oaks is entering into its 18<sup>th</sup> 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.



**Mission Oaks Recreation and Park District  
Required Supplementary Information  
Management's Discussion and Analysis  
June 30, 2016**

**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, 2016**

**ASSETS**

Cash and investments	\$ 3,619,660
Due from other governments	16,900
Restricted cash and investments	847,911
Capital assets, net of accumulated depreciation	11,149,729
Note receivable - Carmichael Recreation & Park District	126,250
Total Assets	15,760,450

Deferred Outflows of Resources

Deferred Outflows of Resources	221,333
Total Deferred Outflows of Resources	221,333

**LIABILITIES**

Current liabilities:

Accounts payable and accruals	128,197
Accrued payroll	122,013
Deposits	10,275

Noncurrent liabilities

Net pension liability (note 7)	1,090,155
Total Liabilities	1,440,356

Deferred Inflows of Resources

Deferred Inflows of Resources	163,921
Total Deferred Inflows of Resources	163,921

**NET POSITION**

Invested in capital assets	11,149,729
Restricted for:	
Impact & In-lieu fees	851,481
Unrestricted	2,376,296
Total Net Position	\$ 14,377,506

**MISSION OAKS RECREATION & PARK DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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	\$4,496,085	\$ 1,089,044	\$ -	\$ -	\$ (3,407,041)
Total Governmental Activities	<u>\$4,496,085</u>	<u>\$ 1,089,044</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(3,407,041)</u>

General Revenues:

Property taxes	2,385,319
Intergovernmental revenues	434,773
Special assessments - Assessment District	960,282
In-lieu fees	305,412
Impact fees	179,732
Investment & rental income	70,645
Donations, insurance proceeds, & other	<u>79,760</u>
Total general revenues	<u>4,415,923</u>
Change in net assets	<u>1,008,882</u>
Net position at beginning of fiscal year	<u>13,368,624</u>
Net position at end of fiscal year	<u>\$ 14,377,506</u>

**MISSION OAKS RECREATION AND PARK DISTRICT**  
**BALANCE SHEET**  
**JUNE 30, 2016**

	General Fund	Landscape & Lighting Assessment District	Developer In-Lieu Fees	Park Development Fees	Total Governmental Funds
<b>Assets</b>					
Cash and investments	\$ 1,799,122	\$ 1,820,538	\$ -	\$ -	\$ 3,619,660
Due from other government	5,701	7,629	2,189	1,381	16,900
Note receivable	126,250	-	-	-	126,250
Restricted cash and investments	-	-	480,831	367,080	847,911
<b>Total Assets</b>	<b>\$ 1,931,073</b>	<b>\$ 1,828,167</b>	<b>\$ 483,020</b>	<b>\$ 368,461</b>	<b>\$ 4,610,721</b>
<b>Liabilities and Fund Equity</b>					
<b>Liabilities</b>					
Accounts payable and accruals	\$ 82,937	\$ 45,260	\$ -	\$ -	\$ 128,197
Accrued payroll	122,013	-	-	-	122,013
Deposits	10,275	-	-	-	10,275
<b>Total Liabilities</b>	<b>215,225</b>	<b>45,260</b>	<b>-</b>	<b>-</b>	<b>260,485</b>
<b>Fund Equity</b>					
<b>Fund balances</b>					
Reserved for park development	-	-	483,020	368,461	851,481
Assigned	-	1,782,907	-	-	1,782,907
Unassigned	1,715,848	-	-	-	1,715,848
<b>Total Fund Equity</b>	<b>1,715,848</b>	<b>1,782,907</b>	<b>483,020</b>	<b>368,461</b>	<b>4,350,236</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 1,931,073</b>	<b>\$ 1,828,167</b>	<b>\$ 483,020</b>	<b>\$ 368,461</b>	<b>\$ 4,610,721</b>

**MISSION OAKS RECREATION & PARK DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

Fund Balances of Governmental Funds	\$ 4,350,236
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	11,149,729
Deferred outflows of resources reported in the statement of net position	221,333
Deferred inflows of resources reported in the statement of net position	(163,921)
The net pension liability does not require the usage of current financial resources.	(1,090,155)
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>(89,716)</u>
Net position of governmental activities	<u><u>\$ 14,377,506</u></u>

**MISSION OAKS RECREATION AND PARK DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	General Fund	Landscape & Lighting Assessment District	Developer In-Lieu Fees	Park Development Fees	Total Governmental Funds
<b>Revenues:</b>					
Property taxes	\$ 2,385,319	\$ -	\$ -	\$ -	\$ 2,385,319
Special assessments	-	960,282	-	-	960,282
Intergovernmental revenues	253,641	181,132	-	-	434,773
Charges for current services	660,670	428,374	-	-	1,089,044
In-lieu fees	-	-	305,412	-	305,412
Impact fees	-	-	-	179,732	179,732
Use of money and property	66,612	(168)	2,189	2,012	70,645
Donations, insurance proceeds, & other	79,368	392	-	-	79,760
<b>Total Revenues</b>	<b>3,445,610</b>	<b>1,570,012</b>	<b>307,601</b>	<b>181,744</b>	<b>5,504,967</b>
<b>Expenditures:</b>					
Salaries and benefits	2,397,221	-	-	-	2,397,221
Services and supplies	902,028	719,774	-	-	1,621,802
Capital outlay	-	759,444	-	-	759,444
<b>Total Expenditures</b>	<b>3,299,249</b>	<b>1,479,218</b>	<b>-</b>	<b>-</b>	<b>4,778,467</b>
Excess (Deficit) of Revenues Over (Under) Expenditures	146,361	90,794	307,601	181,744	726,500
Fund Balances, July 1, 2015	1,569,487	1,692,113	175,419	186,717	3,623,736
Fund Balances, June 30, 2016	<u>\$ 1,715,848</u>	<u>\$ 1,782,907</u>	<u>\$ 483,020</u>	<u>\$ 368,461</u>	<u>\$ 4,350,236</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 YEAR ENDED JUNE 30, 2016**

Net Change in Fund Balances - Total Governmental Funds	\$ 726,500
<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	759,444
Depreciation expense	(377,056)
<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	(171,583)
Changes in long-term compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in governmental funds.	71,577
Change in net position of governmental activities	\$ 1,008,882

**MISSION OAKS RECREATION AND PARK DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2016**

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.

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.



**MISSION OAKS RECREATION AND PARK DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2016**

Note 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

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.

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 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.

**MISSION OAKS RECREATION AND PARK DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2016**

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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.

**MISSION OAKS RECREATION AND PARK DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2016**

Note 1: Summary of Significant Accounting Policies (Continued)

H. Capital Assets (Continued)

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, 2016, 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.

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.

**MISSION OAKS RECREATION AND PARK DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2016**

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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.

**MISSION OAKS RECREATION AND PARK DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2016**

Note 2: Cash and Investments

Cash and investments at June 30, 2016, consisted of the following:

Imprest cash	\$ 2,000
Cash and investments with the County	<u>4,465,571</u>
 Total cash and investments	 <u>\$ 4,467,571</u>

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.

Authorized Investment Type	Maximum Maturity	Percentage of Portfolio	Investment in One Issuer
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:

Investment type	Totals	Remaining Maturity (in Months)			
		12 Months or Less	13-24 Months	25-36 Months	37-48 Months
Sacramento County*	<u>\$4,465,571</u>	<u>\$4,465,571</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Totals	<u>\$4,465,571</u>	<u>\$4,465,571</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

\*Not subject to categorization

**MISSION OAKS RECREATION AND PARK DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

	Balance 7/1/2015	Additions	Adjustments/ Retirements	Balance 6/30/2016
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 2,979,402	\$ -	\$ -	\$ 2,979,402
Construction in progress	195,785	171,437	-	367,222
Total capital assets, not being depreciated	3,175,187	171,437	-	3,346,624
Capital assets, being depreciated:				
Site improvements	6,785,063	563,008	-	7,348,071
Buildings and improvements	6,350,223	-	-	6,350,223
Equipment	530,901	24,999	-	555,900
Total capital assets, being depreciated	13,666,187	588,007	-	14,254,194
Total accumulated depreciation	(6,074,033)	(377,056)	-	(6,451,089)
Total capital assets, being depreciated, net	7,592,154	210,951	-	7,803,105
Governmental activities capital assets, net	\$10,767,341	\$ 382,388	\$ -	\$11,149,729

Depreciation expense for the fiscal year ended June 30, 2016 was \$377,056.

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 year ended June 30, 2016:

	Balance 7/1/2015	Additions	Retirement	Balance 6/30/2016
Net pension liability	\$ 643,111	\$ 447,044	\$ -	\$1,090,155
Compensated absences	161,292	-	71,576	89,716
Totals	\$ 804,403	\$ 447,044	\$ 71,576	\$1,179,871

**MISSION OAKS RECREATION AND PARK DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2016**

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](http://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 to Miscellaneous Members is 27.76%, which includes a COLA adjustment of 2.98%. 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 Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

**MISSION OAKS RECREATION AND PARK DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2016**

Note 7: Defined Benefit Pension Cost-Sharing Employer Plan (continued)

		<b>Miscellaneous</b>	
		Prior to January 1, 2013	On or after January 1, 2013
Hire date			
Benefit formula		2% @ 55	2% @ 62
Benefit vesting schedule		5 years service	5 years service
Benefit payments		monthly for life	monthly for life
Retirement age		50-55	52 - 67
Monthly benefits, as a % of eligible		1.5% to 2%	1.0% to 2%
Required employee 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 year ended June 30, 2016, the total employer contributions made were \$221,333. 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, 2016, the District reported a liability of \$1,090,155 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, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, which was actuarially determined.

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, 2015, 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, 2014 rolled forward to June 30, 2015, 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.

For the year ended June 30, 2016, the District recognized pension expense of \$392,916. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:



**MISSION OAKS RECREATION AND PARK DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2016**

Note 7: Defined Benefit Pension Cost-Sharing Employer Plan (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<hr/>	<hr/>
Differences between expected and actual experience	\$ -	\$ 116,667
Changes in assumptions	-	47,254
Net differences between projected and actual earnings	410,735	400,380
Changes in proportion	83,640	-
District contributions subsequent to measurement date	-	-
Total	<hr/> \$ 494,375	<hr/> \$ 564,301

\$221,333 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

**MISSION OAKS RECREATION AND PARK DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2016**

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,	Amount
2017	\$ 64,028
2018	64,028
2019	49,335
2020	(107,465)
Total	\$ 69,926

The total pension liability in the June 30, 2016 actuarial valuation 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
- Inflation Rate – 3.25%
- Salary increases – Varies by Entry Age and Service – 3.25% 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 actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2012 through June 30, 2014.

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.

**MISSION OAKS RECREATION AND PARK DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2016**

Note 7: Defined Benefit Pension Cost-Sharing Employer Plan (Continued)

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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%

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

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 6.50%	Discount Rate 7.5%	1% Increase 8.5%
District's proportionate share of the net pension plan liability	\$ 2,221,300	\$ 1,090,155	\$ 158,620

**MISSION OAKS RECREATION AND PARK DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2016**

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.

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, 2016**

Note 11: Net Position/Fund Balances (Continued)

**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, 2016, 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.

In the normal course of business, if the District is a defendant in a lawsuit Sacramento County Counsel is the official legal representative of record. Defense of lawsuits are handled by the District’s insurance carrier and losses, if any, are expected to be covered by insurance. District officials are of the opinion that the lawsuit, if any, will not have a material adverse effect on their financial position.

During the testing of pension contributions, the auditor noted that part-time employee’s working over 20 hours per week were not enrolled and participating in the SCERS retirement system. This District’s contract with SCERS requires part-time employee’s be enrolled. It was the recommendation of the auditor to consult with legal counsel and SCERS administration to determine how to resolve the deficiency.

The District met with Sacramento County Employment Retirement System (SCERS) staff Richard Stensrud, Chief Executive Officer, Bob Gaumer, Chief Legal Counsel, John Gobel, Chief Benefits Officer, and Suzanne Likarich, Benefits Manager to finalize the steps necessary to correct the payroll error and to calculate each employee’s contribution for a minimum three (3) year look back.

The District contacted Public Agencies Retirement System (PARS) to see if the funds the part-time staff had been contributing in place of Social Security could be used toward the three year obligation. PARS has agreed to forfeit the funds back to Mission Oaks so that the affected employees are made whole. The cost to the District is \$760,000.

In the next few years, the District and SCERS will continue to research past employees with the intent to make other affected employees’ whole. It is unknown at this point the cost and is not accrued to the District’s Financial Statements.

Note 13: Gann Spending Limit

Amount of limit for 2014-15	\$ 16,421,361
Total Subject Revenue 2014-15	<u>4,503,563</u>
Amount under/(over) limit	<u>\$ 11,917,798</u>

**MISSION OAKS RECREATION AND PARK DISTRICT**

**Notes to the Financial Statements**

**June 30, 2016**

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 balance due on the note at June 30, 2016 was \$126,250.

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  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Revenues:</b>				
Property taxes	\$ 2,199,800	\$ 2,199,800	\$ 2,385,319	\$ 185,519
Intergovernmental revenues	404,250	404,250	253,641	(150,609)
Charges for current services	579,999	579,999	660,670	80,671
Investment & rental income	43,814	43,814	66,612	22,798
Donations, insurance proceeds, & other	45,000	45,000	79,368	34,368
	<u>3,272,863</u>	<u>3,272,863</u>	<u>3,445,610</u>	<u>172,747</u>
<b>Expenditures:</b>				
Salaries and benefits	2,525,351	2,525,351	2,397,221	128,130
Services and supplies	1,118,475	1,118,475	902,028	216,447
Capital outlay	175,000	175,000	-	175,000
	<u>3,818,826</u>	<u>3,818,826</u>	<u>3,299,249</u>	<u>519,577</u>
Net changes in fund balances	<u>\$ (545,963)</u>	<u>\$ (545,963)</u>	<u>146,361</u>	<u>\$ (346,830)</u>
Fund balances - July 1, 2015			<u>1,569,487</u>	
Fund balances - June 30, 2016			<u>\$ 1,715,848</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, 2016**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Intergovernmental revenues	\$ 178,066	\$ 178,066	\$ 181,132	\$ 3,066
Special assessments	965,249	965,249	960,282	(4,967)
Charges for current services	45,113	45,113	428,374	383,261
Investment & rental income	2,000	2,000	(168)	(2,168)
Other	-	-	392	392
Total revenues	<u>1,190,428</u>	<u>1,190,428</u>	<u>1,570,012</u>	<u>379,584</u>
<b>Expenditures:</b>				
Services and supplies	1,021,000	1,021,000	719,774	301,226
Capital outlay	<u>1,342,057</u>	<u>1,342,057</u>	<u>759,444</u>	<u>582,613</u>
Total expenditures	<u>2,363,057</u>	<u>2,363,057</u>	<u>1,479,218</u>	<u>883,839</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	<u>\$ (1,172,629)</u>	<u>(1,172,629)</u>	<u>90,794</u>	<u>(504,255)</u>
Fund Balances, July 1, 2015			<u>1,692,113</u>	
Fund Balances, June 30, 2016			<u>\$ 1,782,907</u>	



**MISSION OAKS RECREATION AND PARK DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS  
JUNE 30, 2016**

Last 10 Fiscal years\*:

	<u>FY 2015</u>	<u>FY 2016</u>
District's proportion of the net pension liability	.083%	.095%
District's proportionate share of the net pension liability	\$ 643,111	\$ 1,090,155
District's covered employee payroll	826,000	851,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	77.86%	128.10%
Plan Fiduciary net position as a percentage of the total pension liability	93.16%	89.46%

\*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\*:

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

**MISSION OAKS RECREATION AND PARK DISTRICT**  
**Notes to Required Supplementary Information**  
**June 30, 2016**

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.