

NORTH HIGHLANDS RECREATION AND PARK DISTRICT
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2019



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**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
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YEAR ENDED JUNE 30, 2019**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
North Highlands Recreation and Park District
North Highlands, California

We have audited the accompanying financial statements of the governmental activities and each major fund of North Highlands Recreation and Park District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the North Highlands Recreation and Park District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the North Highlands Recreation and Park District as of June 30, 2019, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison for the General fund, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2019, on our consideration of the North Highlands Recreation and Park District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the North Highlands Recreation and Park District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Highlands Recreation and Park District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Roseville, California
December 2, 2019

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

This section of the North Highlands Recreation and Park District's (District) annual financial report presents an analysis of the District's financial performance during the fiscal year ended June 30, 2019. This information is presented in conjunction with the audited basic financial statements, which follows this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2019

- The assets of the District exceeded liabilities at the close of the 2018-2019 fiscal year by \$8,799,847 (net position). Of this amount \$561,092 is restricted for developer deposits, \$1,040,778 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors, and \$7,197,977 is invested in capital assets (net).
- As of June 30, 2019, the district's governmental funds reported combined fund balances of \$1,653,422 of which \$1,092,330 is available to meet the District's current and future needs (assigned/unassigned fund balance).
- At the end of the fiscal year, unassigned fund balance for the general fund was \$1,092,330 of total general fund expenditures.
- The District had no long-term debt outstanding as of June 30, 2019.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

REQUIRED FINANCIAL STATEMENTS

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

The *Statements of Net Position* include information on the District's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

REQUIRED FINANCIAL STATEMENTS (CONTINUED)

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

Both of these government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the District are recreational and park activities. There are no business-type activities.

Fund Financial Statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and to demonstrate finance-related legal compliance. All of the funds of the District can be 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 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

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found immediately following the basic financial statements.

Other Information

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

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Condensed Statements of Net Position
June 30, 2019 and 2018**

	2019	2018
Assets		
Current and Other Assets	\$ 1,748,918	\$ 1,832,647
Capital Assets	7,197,977	6,019,040
Total Assets	8,946,895	7,851,687
Liabilities		
Current/Noncurrent Liabilities	147,048	152,075
Net Position		
Net Investment in Capital Assets	7,197,977	6,019,040
Restricted Net Position	561,092	879,242
Unrestricted Net Position	1,040,778	801,330
Total Net Position	\$ 8,799,847	\$ 7,699,612

Changes in the District's net position can be determined by reviewing the following condensed Statement of Activities for the year.

**Condensed Statements of Activities
Years Ended June 30, 2019 and 2018**

	2019	2018
Program Revenues:		
Recreation Services	\$ 358,946	\$ 336,753
Operating Grants and Contributions	78,237	85,510
Capital Grants and Contributions	1,134,978	601,816
General Revenue:		
Property Taxes	1,426,703	1,260,785
Investment Income	35,508	18,103
Miscellaneous	15,328	18,857
Total Revenue	3,049,700	2,321,824
Expenses:		
Recreation and Park Activities	(1,949,465)	(1,940,238)
Changes in Net Position	1,100,235	381,586
Net Position - Beginning of Year	7,699,612	7,318,026
Net Position - End of Year	\$ 8,799,847	\$ 7,699,612

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

BUDGETARY HIGHLIGHTS

General fund revenues were budgeted at \$1,721,965. The actual revenues for the 2018-2019 fiscal year were \$1,863,234 or \$141,269 more than the final budget. Generally, the revenues increased or remained consistent with the prior year except for other revenues. Other revenues decreased over prior year and were over budget by approximately \$4,300.

General fund expenditures were budgeted at \$2,875,878. The actual amount expended was \$2,611,582 or \$264,296 less than the final budget. The expenditure variance was due to capital outlay expenditures during the fiscal year.

CAPITAL ASSETS

As of June 30, 2019, the District's net investment in capital assets totaled \$7,197,977 net of accumulated depreciation. The net investment in capital assets includes land, buildings and improvements, site improvements, and equipment. The capital assets are presented in the government-wide statement of net position.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Revenue received by the District continues to be trending in a positive direction. Recreation services, rentals, facility leases and property taxes remain encouraging. The Freedom Park Softball Complex Lease and Something Extra (Child Care Lease) are on new five year graduated lease schedules. Both leases are generating new revenue above and beyond their previous lease agreements. New home construction at Elverta Park is near build out which has had a positive effect on new property tax revenues.

The District participated in an LED lighting energy rebate program offered through SMUD. The community center, office complex, complex parking lot and Capehart gym were retrofitted with cost saving LED lighting. Out of pocket cost to the District was less than fifty percent of the total cost to complete the project with the SMUD rebates covering the remaining costs. The District was the only Special District in Sacramento County to participate in the SMUD energy rebate program. The District will realize ongoing energy saving for years to come.

The Lakes at Antelope, a new residential development located within the District boundaries, will hopefully begin construction of 278 new homes sometime in 2020. This will have a positive effect on future property taxes to the District. Additionally, this development will generate in excess of \$2,000,000 in park fees. Park improvements will be focused offsite.

The District will apply for Proposition 68 grant funds to construct a new neighborhood park (Sierra Creek Park) near The Lakes at Antelope development. It is anticipated that if the District is successful in securing Prop 68 grant funds, that in combination with Developer Park Impact Fees and District Reserves, the District will have sufficient funds for park design and construction. Depending upon the revenue sources available to the District, the future development of Sierra Creek Park may need to be accomplished in one or more phases.

In addition to applying for a Proposition 68 grant to be used to construct Sierra Creek Park, the District will also apply for Prop 68 Per Capita Grant Funds. Per Capita Grant funds are project based and require a District match of twenty percent (20%). Per Capita grant funds will be used to supplement, not supplant, local revenues in existence as of June 5, 2018. Based upon a per capita formula

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

determined by the state of California Park and Recreation Department, the minimum Per Capita grant the District will receive is \$200,000.

The District experienced several changes in its full time work force. Two full time employees, one in the park maintenance division and the other in the recreation services division, left employment with the District. Two new employees will be hired and begin service with the District before December 2019.

Completed or Partially Completed District Goals FY 2018-2019

- Held a rededication naming ceremony for the Community Center.
- Retrofitted the Community Center, Office Complex and parking lot with LED lighting.
- Phase I (75%) of the Community Center landscaping project has been completed. Phase II (25%) will be completed in late 2019/early 2020.
- New signage at the Community Center has been completed. New park sign for Capehart gymnasium has been purchased and will be installed in early 2020.
- Roof reseal project for various District buildings has been carried over to FY 2019-2020.
- Cherry Blossom Park Project Completed (April 2019) and Dedicated to the Community (May 2019)

District Goals for FY 2019-2020

- Complete recruitment process and hire new employees in the Recreation and Maintenance Divisions.
- Purchase new large equipment for Maintenance Division.
- Install ADA automatic electronic doors at the office complex and community center.
- Complete ADA concrete pathway replacement project.
- Complete ADA Transition Plan.
- Complete Sierra Creek Park CEQA Study.
- Complete roof reseal, Capehart gym park signage and phase II community center projects.
- Secure Proposition 68 new park grant and Proposition 68 Per Capita grants.
- Install new flooring in the community center.

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 North Highlands Recreation and Park District Administrator at 6040 Watt Avenue, North Highlands, California 95660.

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019**

	Governmental Activities
ASSETS	
Current Assets:	
Cash and Investments	\$ 1,176,778
Interest Receivable	18,081
Restricted Cash and Investments	554,059
Total Current Assets	1,748,918
Capital Assets:	
Land	3,623,569
Construction in Process	31,158
Site Improvements	4,735,905
Buildings and Improvements	4,331,978
Equipment	596,298
Total	13,318,908
Less: Accumulated Depreciation	6,120,931
Total Capital Assets	7,197,977
Total Assets	8,946,895
LIABILITIES	
Current Liabilities:	
Claims Payable	38,399
Accrued Payroll	24,361
Deposits	32,736
Compensated Absences, Current	25,776
Total Current Liabilities	121,272
Noncurrent Liabilities:	
Compensated Absences, Noncurrent	25,776
Total Liabilities	147,048
NET POSITION	
Net Investment in Capital Assets	7,197,977
Restricted	561,092
Unrestricted	1,040,778
Total Net Position	\$ 8,799,847

See accompanying Notes to Basic Financial Statements.

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Governmental Activities:				
Recreational Services	\$ 1,949,465	\$ 358,946	\$ 78,237	\$ 1,134,978
				\$ (377,304)
General Revenues:				
Property Taxes				1,426,703
Investment Income				35,508
Other Revenues				15,328
Total General Revenues				1,477,539
Change in Net Position				1,100,235
Net Position - Beginning				7,699,612
Net Position - Ending				\$ 8,799,847

See accompanying Notes to Basic Financial Statements.

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019**

	General Fund	Developer In-Lieu Fees	Park Development Fees	Community Facilities District 2016-01	Total Governmental Funds
ASSETS					
Cash and Investments	\$ 1,176,778	\$ -	\$ -	\$ -	\$ 1,176,778
Interest Receivable	10,697	168	6,963	253	18,081
Restricted Cash and Investments	-	13,547	501,195	39,317	554,059
	<u>-</u>	<u>13,547</u>	<u>501,195</u>	<u>39,317</u>	<u>554,059</u>
Total Assets	<u>\$ 1,187,475</u>	<u>\$ 13,715</u>	<u>\$ 508,158</u>	<u>\$ 39,570</u>	<u>\$ 1,748,918</u>
LIABILITIES					
Claims Payable	\$ 38,399	\$ -	\$ -	\$ -	\$ 38,399
Accrued Payroll	24,361	-	-	-	24,361
Deposits	32,385	351	-	-	32,736
Total Liabilities	<u>95,145</u>	<u>351</u>	<u>-</u>	<u>-</u>	<u>95,496</u>
FUND BALANCE					
Restricted for Developer Deposits	-	13,364	508,158	39,570	561,092
Unassigned	1,092,330	-	-	-	1,092,330
Total Fund Balances	<u>1,092,330</u>	<u>13,364</u>	<u>508,158</u>	<u>39,570</u>	<u>1,653,422</u>
Total Liabilities, Deferred Inflows of of Resources, and Fund Balances	<u>\$ 1,187,475</u>	<u>\$ 13,715</u>	<u>\$ 508,158</u>	<u>\$ 39,570</u>	<u>\$ 1,748,918</u>

See accompanying Notes to Basic Financial Statements.

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019**

Fund Balances of Governmental Funds	\$ 1,653,422
Amounts reported for governmental activities in the statement of net position are different because:	
Net Investment in capital assets, are not a current financial resources and are not included in the governmental funds.	7,197,977
Compensated absences that are not due and payable in the current period and are not reported in the funds.	<u>(51,552)</u>
Net Position of Governmental Activities	<u>\$ 8,799,847</u>

See accompanying Notes to Basic Financial Statements.

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2019**

	General Fund	Developer In-Lieu Fees	Park Development Fees	Community Facilities District 2016-01	Total Governmental Funds
REVENUES					
Property Taxes	\$ 1,364,130	\$ -	\$ -	\$ -	\$ 1,364,130
Intergovernmental Revenues	78,237	-	-	-	78,237
Charges for Current Services	208,087	-	-	-	208,087
Use of Money and Property	172,452	-	13,602	313	186,367
Development Fees	-	-	634,978	-	634,978
Special Assessments	-	-	-	62,573	62,573
Other Revenues	40,328	-	-	-	40,328
Total Revenues	<u>1,863,234</u>	<u>-</u>	<u>648,580</u>	<u>62,886</u>	<u>2,574,700</u>
EXPENDITURES					
Salary and Benefits	1,083,243	-	-	12,533	1,095,776
Services and Supplies	577,054	-	-	10,783	587,837
Capital Outlay	951,285	-	-	-	951,285
Total Expenditures	<u>2,611,582</u>	<u>-</u>	<u>-</u>	<u>23,316</u>	<u>2,634,898</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)					
	<u>(748,348)</u>	<u>-</u>	<u>648,580</u>	<u>39,570</u>	<u>(60,198)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	1,006,300	-	-	-	1,006,300
Transfers Out	-	-	(1,006,300)	-	(1,006,300)
Total Other Financing Sources (Uses)	<u>1,006,300</u>	<u>-</u>	<u>(1,006,300)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	257,952	-	(357,720)	39,570	(60,198)
Fund Balances - July 1, 2018	<u>834,378</u>	<u>13,364</u>	<u>865,878</u>	<u>-</u>	<u>1,713,620</u>
FUND BALANCES - JUNE 30, 2018	<u>\$ 1,092,330</u>	<u>\$ 13,364</u>	<u>\$ 508,158</u>	<u>\$ 39,570</u>	<u>\$ 1,653,422</u>

See accompanying Notes to Basic Financial Statements.

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

Net Change in Fund Balances - Total Governmental Funds	\$	(60,198)
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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:

Long-term receivables are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		(25,000)
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Governmental funds report capital outlays as expenditures; however, in the statement of activities. The cost 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:

Cost of Capital Assets		1,454,315
Depreciation Expense		(275,378)

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.		6,496
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Change in Net Position of Governmental Activities	\$	<u>1,100,235</u>
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**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The District was organized in 1955 by a vote of the public. It is operated under the advisement of a five-member board of directors duly elected and empowered by the electorate with sole authority over the District's operations. Although the District is now independent from the Sacramento County's Board of Supervisors, its financial activities are still processed through the Sacramento County Auditor-Controller's Office.

In addition to providing recreational programs and services to the community, the District maintains park sites and leases property for the purpose of providing additional services to the community. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governments.

Component Unit

The District's Board of Directors approved the formation of the Community Facilities District (CFD) No. 2016-01 (Elverta Park) which authorized a special tax levy within CFD 2016-01 for the purpose of providing services for maintenance, servicing and replacement of existing park and recreation facilities for the 3.03 acre Elverta Park development and incidental expenses. As of June 30, 2017, no special taxes have been collected.

B. Basis of Accounting

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Resources not available to finance expenditures and commitments of the current period are recognized as deferred revenue or as a reservation of fund balance. The District considers property taxes available if they are collected within 60 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.

NORTH HIGHLANDS RECREATION AND PARK DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

C. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

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

Fund Financial Statements

The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in separate columns. All remaining governmental funds (if any) 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.

Developer In-Lieu Fees Fund – This special revenue fund account for the activity of the developer in lieu fees and park development fees.

Park Development Fees Fund – This special revenue fund account for the activity of the park development fees.

Community Facilities District 2016-01 Fund – This special revenue fund account for the activity of the Community Facilities District 2016-01.

D. Restricted Assets

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

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

E. 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 acquisition 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 and Improvements	10 – 30 Years
Site Improvements	10 – 20 Years
Equipment and Machinery	5 – 20 Years

F. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District only has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. This account represents miscellaneous revenue from a settlement and is deferred and recognized as inflow of resources in the period that the amount becomes available.

G. Compensated Absences

Compensated absences represent the vested portion of accumulated vacation. In accordance with GASB Statement 16, the liability for accumulated leave includes all salary - related payments that are directly and incrementally connected with leave payments to employees, such as retirement pay. A current liability is recorded in the governmental fund type to account for these vested leave accruals, which are expected to be used within the next fiscal year.

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

H. Equity Classifications

In the fund financial statements, in accordance with GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*," governmental funds report balances as nonspendable, restricted, committed assigned or unassigned based primarily on the extent the District is bound to honor constraints on how specific amounts can be spent.

- *Nonspendable Fund Balance* – consists of amounts that are not in a spendable form or are required to be maintained intact.
- *Restricted Fund Balance* – consists of amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. The Restricted Developer In-Lieu Fees are for capital improvements of recreational facilities.
- *Committed Fund Balance* – consists of amounts that can be used only for the specific purposes determined by a formal action (resolution) of the District's highest level of decision-making authority (the board of directors) and do not lapse at year-end.
- *Assigned Fund Balance* – consists of amounts intended for a specific purpose by the board of directors or by a District official that has been delegated authority to adding amounts.
- *Unassigned Fund Balance* – consists of any remaining fund balance that has not been reported in any other classification.

Per the District's Policy, when an expenditure occurs that can be funded by more than one classification of fund balance the District considers fund balance to be spent in the following order: first restricted, then committed, then assigned, and finally unassigned.

The District classifies its net position into three components: net investment in capital assets, restricted net position, and unrestricted net position.

- *Net Investment in Capital Assets* consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.
- *Restricted net position* are financial resources generated for a specific purpose such as construction of improvements and financing of debt obligations. These amounts are restricted, as their use is limited by applicable bond covenants or other external requirements.
- *Unrestricted* are all other net assets that do not meet the definition of "net investment in capital assets" or "restricted."

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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I. Property Taxes

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

J. Use of Estimates

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

NOTE 2 CASH AND INVESTMENTS

Cash and investments at June 30, 2019 consisted of the following:

Imprest Cash	\$ 600
Cash and Investments in the County Treasurer	1,730,237
Total Cash and Investments	<u>\$ 1,730,837</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 North Highlands Recreation and Park District by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk and concentration of credit risk.

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 Years	None	None
U.S. Treasury Obligations	5 Years	None	None
State of California Obligations	5 Years	None	None
U.S. Agency Securities	5 Years	None	None
Banker's Acceptances	180 Days	40%	30%
Commercial Paper	270 Days	40%	10%
Negotiable CDs	5 Years	30%	None
Repurchase Agreements	1 Years	None	None
Reverse Repurchase Agreements	92 Days	20%	None
Medium Term Notes	5 Years	30%	None
Mutual/Money Market Funds	5 Years*	20%	10%
Collateralized Bank Deposits	5 Years	None	None
Mortgage Pass-Through Securities	5 Years	20%	15%
Time Deposits	5 Years	None	None
Local Agency Investment Fund (LAIF)	5 Years*	None	None

* The five-year maximum maturity can be extended by the board of directors. Also, the maximum maturity can be extended if the funds are reserved for bond, COP, or note payments to coincide with the required repayments.

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

Investment Type	Total	Remaining Maturity (in Months)	
		12 Months or Less	13-48 Months
Sacramento County*	\$ 1,730,237	\$ 1,730,237	\$ -

C. Concentrations of Credit Risk

The Districts cash and investments are held with the County of Sacramento. Refer to the County of Sacramento financial statements for the required disclosure information for the concentrations of credit risk.

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

D. Custodial Credit Risk

The Districts cash and investments are held with the County of Sacramento. Refer to the County of Sacramento financial statements for the required disclosure information for the custodial credit risk.

E. Investment in Government Pool

Investments are accounted for in accordance with the provisions of GASB Statement 31, which requires governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in fair value of investments in the year in which the change occurred. The District reports its investment in the Sacramento County investment pool at fair value based on quoted market information obtained from fiscal agents or other sources if the change is material to the financial statements.

NOTE 3 PROPERTY PLANT AND EQUIPMENT

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

	Balance July 1, 2018	Additions	Retirement/ Adjustments	Balance June 30, 2019
Capital Assets, Not Being Depreciated:				
Land	\$ 3,123,569	\$ 500,000	\$ -	\$ 3,623,569
Construction in Process	59,301	950,830	(978,973)	31,158
Total Capital Assets, Not Being Depreciated	<u>3,182,870</u>	<u>1,450,830</u>	<u>(978,973)</u>	<u>3,654,727</u>
Capital Assets, Depreciable:				
Structures and Improvements	8,088,910	-	978,973	9,067,883
Equipment	592,813	3,485	-	596,298
Total Capital Assets, Being Depreciated	<u>8,681,723</u>	<u>3,485</u>	<u>978,973</u>	<u>9,664,181</u>
Less Accumulated Depreciation For:				
Structures and Improvements	(5,300,419)	(267,002)	-	(5,567,421)
Equipment	(545,134)	(8,376)	-	(553,510)
Total Accumulated Depreciation	<u>(5,845,553)</u>	<u>(275,378)</u>	<u>-</u>	<u>(6,120,931)</u>
Total Capital Assets, Being Depreciated, Net	<u>2,836,170</u>	<u>(271,893)</u>	<u>978,973</u>	<u>3,543,250</u>
Capital Assets, Net	<u>\$ 6,019,040</u>	<u>\$ 1,178,937</u>	<u>\$ -</u>	<u>\$ 7,197,977</u>

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4 LONG-TERM LIABILITIES

The following is a summary of changes in the long-term liabilities for the year ended June 30, 2019:

	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019	Due Within One Year
Government Activities					
Compensated Absences	\$ 58,048	\$ 45,010	\$ 51,506	\$ 51,552	\$ 25,776

NOTE 5 PARK DEDICATION FUNDS

The County maintains two funds for the benefit of the North Highlands Recreation and Park District. The corpus of the funds consists of in lieu fees paid by developers for subdivision development within the boundaries of the District. The use of these funds by the District is restricted for the purpose of providing park and recreation facilities to serve the population. The activity of these funds is recorded in the special revenue fund of the District.

NOTE 6 RISK MANAGEMENT

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

The Agreement for Formation provides that CAPRI will be self-sustaining through member premiums. CAPRI reinsures through commercial companies for 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 for fiscal year ended June 30, 2019.

The District carries commercial insurance for other risks of loss, including employees' health insurance.

NOTE 7 SITE LEASE AGREEMENTS

The District entered into a site lease agreement with Sacramento Employment and Training Agency (SETA) whereby the District leases the Strizek Park Clubhouse to SETA for the Headstart program. The lease expires in 2019. Monthly payments of \$1,818 are due and

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

payable at the end of each month. SETA will continue to be responsible for paying all utilities including electricity, gas, water, sewer, garbage, and waste removal.

The District entered into a site lease agreement with Center Joint Unified School District whereby the District leases a portion of Spinelli Park to the School District for the purpose of installing, operating, and maintaining five modular buildings for elementary school classrooms and administrative facilities related to Spinelli Elementary School. The lease expires in 2021 with annual payments ranging from \$4,000 to \$5,000 each year, due and payable on August 1 of each year.

The District entered into a site lease agreement with Jamie Thockmorton (dba, Something Extra) for the purpose of operating a daycare facility at the Capehart Youth Facility. Rent was established at \$3,500 per month and will be adjusted annually on January 1, not to exceed a 3% annual increase. On May 14, 2009, the District voted to adjust the monthly rent based on enrollment. The lease was renewed on September 1, 2013 through September 1, 2018 based on attendance of up to 30 children a month with an increase of \$500 per month for each additional 5 children in monthly attendance. The agreement also requires the operator to pay utility costs of \$820 per month.

On October 11, 2003, the District entered into a site lease agreement with DF Softball whereby DF Softball organizes and promotes league and tournament softball in the Freedom Park Softball Complex. The agreement was extended during the 2013/14 fiscal year on a month-to-month basis until the operator brings the site improvements up to code. On January 1, 2015, the five-year agreement was finalized for rent that will be charged at \$4,400 per month for fiscal years 2017, 2018, and 2019. The operator will also pay the District a flat rate concession fees of \$450 per month for 2017, 2018, and 2019 excluding sales tax. The operator also will have a \$5,000 non-performance deposit with the District. The operator is to provide annual financial statements based on the facility use agreement.

NOTE 8 DEFINED CONTRIBUTION PENSION PLAN

The District contributes to a deferred compensation plan. The plan is a single-employer plan with the assets held in trust by Voya Retirement Insurance and Annuity Company. All full time salaried employees are eligible to participate in the plan after six months of satisfactory employment with the District. The plan is defined in the Internal Revenue Code Section 457.

The District pays 100% of the contribution, based on eight percent of the employee's wage. Participant accounts are credited with the employer 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. The employee becomes vested in the employer contribution after two years from date of hire. The employer contribution stays with the pool if the employee leaves before vesting. The District contributed \$54,581 during the 2018/19 fiscal year towards the qualifying employee's plan.

In case of partial or complete termination of the plan or discontinuance of employer contribution to the plan, the rights to the plan benefits become fully vested regardless of any

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

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 installments 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.

The District also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all District employees, permits them to defer a portion of their salary until future years through payroll deductions with no employer match. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergencies.

NOTE 9 REVENUE LIMITATIONS IMPOSED BY CALIFORNIA PROPOSITION 218

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

NOTE 10 FUND BALANCES - GOVERNMENTAL FUNDS

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

	General Fund	Developer In-Lieu Fees	Park Development Fees	Community Facilities District
Restricted for Developer Deposits	\$ -	\$ 13,364	\$ 508,158	\$ 39,570
Assigned for Next Years Budget	-	-	-	-
Unassigned	1,092,330	-	-	-
Total Fund Balance	<u>\$ 1,092,330</u>	<u>\$ 13,364</u>	<u>\$ 508,158</u>	<u>\$ 39,570</u>

NOTE 11 CONTINGENT LIABILITIES

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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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, the District is a subject to various lawsuits. In the opinion of the General Counsel to the District, payment of claims by the District for amounts not covered by insurance, in the aggregate, are not expected to have a material adverse effect on their financial position.

Provision 1. D. of the agreement with Sacramento County dated May 1, 2012 stipulates the District shall provide the County with Developer incentives in the form of "credits" to be used by the County to reduce future residential infill development costs for residential or mixed use development projects within District boundaries in exchange for State of California Housing-Related Parks Program (HRPP) grant funds passed through from the County to the District of \$149,325 less the County grant administration fees already paid of \$28,837 for a net amount of \$120,488. When a residential or mixed-use project applicant is required to pay the District's development fee, the County may utilize the credit to reduce or offset said requirement of provision I. D., until such credits are eliminated.

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Property Taxes	\$ 1,279,944	\$ 1,279,944	\$ 1,364,130	\$ 84,186
Intergovernmental Revenues	52,500	52,500	78,237	25,737
Charges for Current Services	275,662	275,662	208,087	(67,575)
Use of Money and Property	77,859	77,859	172,452	94,593
Other Revenues	36,000	36,000	40,328	4,328
Total Revenues	<u>1,721,965</u>	<u>1,721,965</u>	<u>1,863,234</u>	<u>141,269</u>
EXPENDITURES				
Salary and Benefits	1,216,817	1,216,817	1,083,243	(133,574)
Services and Supplies	588,961	588,961	577,054	(11,907)
Capital Outlay	1,070,100	1,070,100	951,285	(118,815)
Total Expenditures	<u>2,875,878</u>	<u>2,875,878</u>	<u>2,611,582</u>	<u>(264,296)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES				
	(1,153,913)	(1,153,913)	(748,348)	405,565
OTHER FINANCING SOURCES				
Transfer In	<u>-</u>	<u>-</u>	<u>1,006,300</u>	<u>1,006,300</u>
NET CHANGE IN FUND BALANCES				
	<u>\$(1,153,913)</u>	<u>\$(1,153,913)</u>	257,952	<u>\$ 1,411,865</u>
Fund Balance - July 1, 2018			<u>834,378</u>	
FUND BALANCE - JUNE 30, 2019			<u>\$ 1,092,330</u>	

See accompanying Notes to Required Supplementary Information.

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019**

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

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

The budget for the general fund is adopted on the modified accrual basis of accounting. The budget for the general fund is the only legally adopted budget since the District does not adopt budgets for the Developer In-Lieu, Park Development Fees Funds, and Community Facilities District 2016-01 Fund.

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

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