

FULTON-EL CAMINO RECREATION AND PARK DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2018

FULTON-EL CAMINO RECREATION AND PARK DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Fulton-El Camino Recreation and Park District
Sacramento, CA

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Fulton-El Camino Recreation and Park District as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively make up the basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

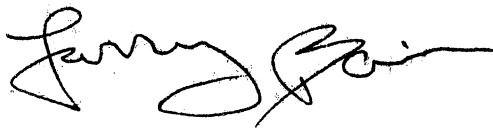
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–8, budgetary comparison for the General fund, landscape and lighting assessment district and maintenance assessment district on pages 33, 34 and 35 the Fulton-El Camino Recreation and Park District Employees' Retirement System Schedule of the District's Proportionate Share of the Net Position Liability and the Retirement System Schedule of the District's Contributions on pages 36 and 37 and the District's Other Postemployment Benefits (OPEB) Plan Schedule of Changes in the District's Net OPEB Liability and Related Ratios on page 38; be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

As disclosed in Note 9 of the financial statements, The District implemented GASB Statement No. 75, Accounting and *Financial Reporting for Postemployment Benefits Other than Pensions*, during fiscal year ended June 30, 2018. Our opinion is not modified with respect to this matter.



Larry Bain, CPA,
An Accounting Corporation
March 20, 2019

FULTON-EL CAMINO RECREATION AND PARK DISTRICT
Required Supplementary Information
Management's Discussion and Analysis
JUNE 30, 2018

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

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2018

- The assets of the District exceeded liabilities at the close of the 2017-2018 fiscal year by \$357,423 (net position). Of this amount, \$(1,767,561) unrestricted net position may be used to meet ongoing obligations to citizens and creditors, and \$2,124,984 is net investment in capital assets. The negative net position is the result of accruing the pension liability and other post-employment benefits which had a negative \$2,540,326 impact on net position as of June 30, 2018.
- As of June 30, 2018 the district's governmental funds reported combined fund balances of \$846,055 of which \$593,181 is available to meet the District's current and future needs (unassigned fund balance).
- The District had capital lease obligations of \$89,464 as of June 30, 2018.

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 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 *Statement 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.

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.

FULTON-EL CAMINO RECREATION AND PARK DISTRICT
Required Supplementary Information
Management's Discussion and Analysis
JUNE 30, 2018

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 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 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.

FULTON-EL CAMINO RECREATION AND PARK DISTRICT
Required Supplementary Information
Management's Discussion and Analysis
JUNE 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Condensed Statement of Net Position
Fiscal Years Ended June 30, 2018 and 2017

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Current and other Assets	\$ 965,595	\$ 1,033,149
Capital Assets	2,210,381	2,276,742
Total Assets	<u>3,175,976</u>	<u>3,309,891</u>
Deferred Outflows of Resources:		
Deferred Outflows - Pension and OPEB	548,128	372,175
Total Deferred Outflows of Resources	<u>548,128</u>	<u>372,175</u>
Liabilities		
Current/non current	3,215,992	2,309,335
Total Liabilities	<u>3,215,992</u>	<u>2,309,335</u>
Deferred Inflows of Resources:		
Deferred Inflows - Pension	150,689	181,359
Total Deferred Inflows of Resources	<u>150,689</u>	<u>181,359</u>
Net Position		
Net investment in capital assets	2,124,984	2,276,742
Net position restricted	-	28,295
Unrestricted	<u>(1,767,561)</u>	<u>(1,069,888)</u>
Total Net Position	<u>\$ 357,423</u>	<u>\$ 1,235,149</u>

Condensed Statement of Activities
For Fiscal Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Program Revenue:		
Parks and Recreation	\$ 788,742	\$ 700,340
Operating contributions	586,335	569,694
General Revenue:		
Property taxes	1,239,565	1,143,368
Other	124,564	194,137
Inter-governmental		52,931
Investment and rental income	110,392	88,011
Total Revenue	<u>2,849,598</u>	<u>2,748,481</u>
Expenses:		
Parks and Recreation	3,207,857	3,137,960
Interest on debt	5,425	
Total Expenses	<u>3,213,282</u>	<u>3,137,960</u>
Change in net position	\$ (363,684)	\$ (389,479)
Net Position:		
Net Position - beginning as restated	610,971	1,624,628
Prior period adjustment	110,136	
Net Position - Ending	<u>\$ 357,423</u>	<u>\$ 1,235,149</u>

FULTON-EL CAMINO RECREATION AND PARK DISTRICT
Required Supplementary Information
Management's Discussion and Analysis
JUNE 30, 2018

CAPITAL ASSETS

As of June 30, 2018, the District's investment in capital assets totalled \$2,210,381 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. The District continued to apply for grant funding from the State of California, the Federal Government, local and private sources when opportunities for funding support for programs and park improvement projects were made available.

During the 2018 fiscal year, the major capital improvements the District undertook were:

Howe Park:

- Replacement of energy consuming lighting in the community center and maintenance shop with energy efficient lighting through a Sacramento Municipal Utilities District incentive plan
- Replaced the deteriorated group picnic area wood shade structure with a fabric shade structure
- Refurbished the group picnic area restrooms

Cottage Park:

- Replacement of energy consuming lighting in the community building with energy efficient lighting through a Sacramento Municipal Utilities District incentive plan
- Planted 12 trees

Bellview Park:

- Construction of a memorial plaza and picnic shelter

As of June 30, 2018, the District had \$89,464 in long term debt as reported in the statement of net position. The outstanding debt represents capital leases, for which ongoing payments are being made on a police vehicle, one maintenance pickup truck, a 15 passenger van, a tree chipper, the district server, district lighting, and an aerator.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District received \$101,114 more in revenue, including property taxes, assessments, service charges and program fees in 2018 than in 2017 but \$211,419 less than budgeted primarily due to grant funds that were budgeted for in this fiscal year but will be realized in the 2018/19 budget due to project delays. The District also realized \$165,212 less in charges for services, and \$15,099 less in fines forfeitures and penalties than budgeted. The difference is due to unrealized Park Police and Recreation Division program revenue. Budgeted expenditures totalled \$2,324,352: Salaries and benefits \$1,760,605, Service and Supplies \$397,297, and Capital outlay \$166,450. The District stayed within budget for each category expending \$96,849 less than budgeted with \$76,382 of the under expended funds coming from a reduction in Capital outlay.

In addition to the Capital Improvements mentioned above, some of the other work and accomplishments we are most proud of this fiscal year include by department:

FULTON-EL CAMINO RECREATION AND PARK DISTRICT
Required Supplementary Information
Management's Discussion and Analysis
JUNE 30, 2018

Administration:

One significant personnel change took place this year. The Administrative Assistant, Peter Newman resigned to take a new position in the field of risk management and Carol Mundy was hired to replace him. Meetings with the District's five Park Advisory Committees have continued and have proven to be a valuable means of acquiring feedback from the community. The California Special District Association (CSDA) awarded the District their Certificate of Transparency for meeting guidelines for operating in an open and transparent manner. The District Board and staff continue to attend the CSDA legislative conference and the California Association of Park and Recreation District conference in an effort to stay current with new laws and best practices. Staff participated in a five session training class designed to create a cohesive workforce.

The District continues to seek creative ways to increase revenue. This year Buffalo Wild Wings rented our Boardroom for two months, to interview and train their new employees, bringing in additional rental income. An easement agreement with Kaiser Permanente resulted in the resealing of the parking lot at Cottage Park. And construction at Kaiser Hospital resulted in the rental of parking spaces increasing District revenue.

Recreation:

The recreation division at Fulton-El Camino works hard to provide recreation services to our community that are reasonably priced, enjoyable and safe.

Our Pre-School program is growing and staff is keeping up with the teaching trends. Summer camp and the before and after school programs have steady participation. San Juan Unified School District provides free after school programming and our District provides recreation leaders to the schools in our community that average over 520 children a month attendance. Even with the free program, the District continues to have positive registration numbers in our fee-based before and after school programs.

Special events are very popular and with the children and staff changes things up each year to keep things interesting. 2018 events were: Crab Feed, Fishing Derby, Egg O Rama, 4th of July parade, Halloween, Breakfast with Santa and the Tree Lighting at Tognotti's. The swim team, synchronized swimming, lessons, & other aquatic programs continue to do very well at Cottage pool averaging well over 3,000 participants for the summer. Special Interest class participation was up slightly and staff continues to seek additional programs the residents would enjoy. Adult softball continues Sunday through Thursday evenings at Howe Park and tournaments are held a number of Saturdays during the calendar year. The Little League program is a great deal of work but staff is looking forward to the 2019 season.

Staff continues to update the social media sites provided by the district and we have upgraded them to meet ADA accommodation requirements.

Maintenance:

Maintenance staff was responsible for the improvements to the Howe Park Group Picnic area shade structure and restroom refurbishments. They also overhauled the park frontage for Bellview Park, turning the unkempt frontage area into a beautiful memorial plaza in honor of community members that have lost their lives in or near our park. They were able to transform these structures without having to contract out the work, saving the Districts thousands of dollars. They did an excellent job. Additional staff are needed if the District is to continue performing infrastructure improvement projects. Tree inventory software was purchased to help the District manage the tree inventory.

FULTON-EL CAMINO RECREATION AND PARK DISTRICT
Required Supplementary Information
Management's Discussion and Analysis
JUNE 30, 2018

Park Police:

The Park Police Division is presently providing services to a total of ten districts including our own. Working with the other park districts not only helps them with their law enforcement needs but it helps to reduce the operating cost of the Division. Some large cost items include technical support by the Sacramento Sheriff's Department, increased training requirements, vehicle fuel and maintenance costs and the police operations facility. The Division presently deploys and operates out of a secure multi agency law enforcement facility within McClellan Business Park. The office is presently in the same complex as Homeland Security-FEMA, the Sacramento Sheriff's Department-HIDTA (Drug Task Force), Sacramento Sheriff's Hi-Tech Crimes Division and the Sacramento County Office of Emergency Services-OES to name a few of the adjoining agencies. This location allows its staff the ability to access secure law enforcement data programs, write and approve reports and process evidence. It has a fueling station across the street from McClellan Park and is immediately adjacent to the JPA training facility where the division's shooting range, tactical village and other training aids are located. The facility is monitored and patrolled with 24 hour security services and is in close proximity to a variety of freeway interchanges allowing for easy access to and from the facility from a variety of locations. All this increases hours of operations in the field, reduces fuel and vehicle maintenance costs. The Chief has elected to primarily work out of the Howe Park office to maintain a close relationship with the FEC management team and the community members who attend the park. The Park Police is working within its overall budget, swiftly addressing citizen complaints and meeting mandated training requirements. It is also striving to increase its media platform using Facebook, Instagram and is working on a private web page with links to FEC and related contract district sites.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Minimum Wage increases will continue to impact the District's ability to provide park and recreation services through the year 2022 when the minimum wage tops out at \$15.00 before becoming adjusted by the consumer price index. These increases not only elevate the wages of the entry level positions but increase the entire wage scale and all of the associated taxes. This will continue to have a major impact on our recreation programs, especially the recreation swim program as it is very labor intensive. Additional cost saving measures will need to be employed as well as revenue generating options explored.

Property tax revenues have increased and will continue to increase for the next few years due to the sale of Prop 13 houses, resetting their property value substantially and the continuing increase in property values for all houses and apartments fueled by the increase in demand and limited supply of affordable housing. Increasing our reserves to the desired goal of \$1,000,000 is still our goal. This will be a challenge with salary and wage increases and increases in the cost of goods and services and ongoing infrastructure repair needs. The District will continue to aggressively pursue grant opportunities and conserve resources wherever possible while striving to maintain our parks in a safe and desirable condition for the use of our residents.

ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide the District's residents, 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 Fulton-El Camino Recreation and Park District Administrator at 2201 Cottage Way, Sacramento, CA 95825.

FULTON-EL CAMINO RECREATION AND PARK DISTRICT

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

	Governmental Activities
Assets	
Cash and investments	\$ 885,105
Due from others	80,382
Restricted cash and investments	108
Capital assets:	
Land	659,256
Intangible assets	18,533
Construction in progress	-
Land improvements	6,291,602
Buildings and improvements	1,601,991
Equipment	744,518
Less: accumulated depreciation	<u>(7,105,519)</u>
Capital assets-net	<u>2,210,381</u>
Total Assets	<u>3,175,976</u>
Deferred Outflows of Resources	
Deferred outflows-pensions	501,256
Deferred outflows-OPEB	<u>46,872</u>
Total Deferred Outflows	<u>548,128</u>
Liabilities	
Current liabilities:	
Claims payable	32,458
Accrued wage	83,363
Deposits	3,719
Due within one year	30,562
Non-current liabilities:	
Due in more than one year	<u>3,065,891</u>
Total Liabilities	<u>3,215,993</u>
Deferred Inflows of Resources	
Deferred inflows-pensions	<u>150,689</u>
Total Deferred Inflows of Resources	<u>150,689</u>
Net Position	
Net investment in capital assets	2,124,984
Unrestricted	<u>(1,767,562)</u>
Total Net Position	<u>\$ 357,422</u>

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

FULTON-EL CAMINO RECREATION AND PARK DISTRICT

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

Functions/programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Change in Net Position Governmental Activities
Governmental Activities					
Parks and recreation	\$ 3,207,857	\$ 788,742	\$ 586,335	\$ -	\$ (1,832,780)
Interest on long-term debt	5,425	-	-	-	(5,425)
Total Governmental Activities	\$ 3,213,282	\$ 788,742	\$ 586,335	\$ -	(1,838,205)

General Revenues:

Taxes:

Property tax, levied for general purposes	1,239,565
Investment and rental income	110,392
Other	124,563
Total general revenues	1,474,520
Change in net position	(363,685)
Net position - beginning as restated	610,971
Prior period adjustment	110,136
Net position - ending	\$ 357,422

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

FULTON-EL CAMINO RECREATION AND PARK DISTRICT

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

	General Fund	Major Funds		Non-Major Fund	Total Governmental Funds
		Landscape & Lighting District	Maintenance and Improvement District	Developer In-Lieu Fees	
Assets					
Cash and investments	\$ 625,740	\$ 146,282	\$ 113,083	\$ -	\$ 885,105
Due from others	78,396	620	1,365	1	80,382
Restricted cash and investments		-	-	108	108
Total Assets	\$ 704,136	\$ 146,902	\$ 114,448	\$ 109	\$ 965,595
Liabilities					
Claims payable	\$ 23,873	\$ 6,953	\$ 1,632	\$ -	\$ 32,458
Accrued payroll	83,363		-	-	83,363
Deposits	3,719	-	-		3,719
Total Liabilities	110,955	6,953	1,632	-	119,540
Fund Balances					
Restricted	-	-	-	109	109
Assigned	-	139,949	112,816	-	252,765
Unassigned	593,181	-	-	-	593,181
Total Fund Balances	593,181	139,949	112,816	109	846,055
Total Liabilities and Fund Balances	\$ 704,136	\$ 146,902	\$ 114,448	\$ 109	\$ 965,595

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

FULTON-EL CAMINO RECREATION AND PARK DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Fund Balances of Governmental Funds	\$ 846,055
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.	2,210,381
Some liabilities, including long-term debt, accrued interest and compensated absences are not due and payable in the current period and therefore are not reported in the funds.	
Compensated absences	(69,223)
Net pension liability, deferred inflows/outflows	(1,508,890)
Net OPEB liability, deferred outflows	(1,031,437)
Long-term debt	<u>(89,464)</u>
Net position of governmental activities	<u>\$ 357,422</u>

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

FULTON-EL CAMINO RECREATION AND PARK DISTRICT

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

	Major Funds			Non-Major Fund	Total Governmental Funds
	General Fund	Landscape & Lighting District	Maintenance and Improvement District	Developer In-Lieu Fees	
Revenues					
Property taxes	\$ 1,194,340	\$ -	\$ -	\$ -	\$ 1,194,340
Intergovernmental revenues	45,225	-	-	-	45,225
Charges for current services	755,141	-	-	-	755,141
Special assessments	-	371,822	214,513	-	586,335
Fines forfeitures and penalties	33,601	-	-	-	33,601
Use of money and property	82,181	25,823	2,386	2	110,392
Other revenues and reimbursements	124,563	-	-	-	124,563
Total Revenues	2,235,051	397,645	216,899	2	2,849,597
Expenditures					
Salaries and benefits	1,746,532	25,392	178,868	-	1,950,792
Services and supplies	390,903	360,270	35,680	-	786,853
Capital outlay	90,068	-	96,654	-	186,722
Debt service					
Principal	17,412	2,895	19,208	-	39,515
Interest	475	891	4,059	-	5,425
Total Expenditures	2,245,390	389,448	334,469	-	2,969,307
Total revenues over (under) expenditures Before other financing sources (uses)	(10,339)	8,197	(117,570)	2	(119,710)
Other financing sources (uses)					
Proceeds of capital leases	-	-	89,142	-	89,142
Operating transfers in	-	-	323	-	323
Operating transfers out	-	(323)	-	-	(323)
Total Other Financing Sources (Uses)	-	(323)	89,465	-	89,142
Net Change in Fund Balances	(10,339)	7,874	(28,105)	2	(30,568)
Fund Balances, July 1, 2017	569,470	132,075	151,225	107	852,877
Prior Period Adjustments	34,050	-	(10,304)	-	23,746
Fund Balances, June 30, 2018	\$ 593,181	\$ 139,949	\$ 112,816	\$ 109	\$ 846,055

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

FULTON-EL CAMINO RECREATION AND PARK DISTRICT

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

Net Change in Fund Balances - Total Governmental Funds \$ (30,568)

Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the costs of those assets are allocated over their estimated useful lives as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:

Cost of assets capitalized	186,722
Depreciation expense	(290,785)

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. 39,515

Proceeds from debt are recorded as other financing sources in the governmental funds, but are recorded as long-term debt in the Statement of Net Position (89,142)

Changes in proportions from the pension do not effect expenditures in the governmental funds, but the change is adjusted through expense in the government-wide statement. (189,233)

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. 9,806

Change in net position of governmental activities \$ (363,685)

FULTON-EL CAMINO RECREATION AND PARK DISTRICT

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>CRDEB</u> <u>Trust Fund</u>	<u>PARS</u> <u>Trust Fund</u>
<u>Assets</u>		
Cash and investments	\$ 26,941	\$ 239,143
Prepaid expense		
Due from others	<u>199</u>	<u>2,217</u>
Total Assets	<u>\$ 27,140</u>	<u>\$ 241,360</u>
<u>Liabilities</u>		
Due to others	<u>\$ 27,140</u>	<u>\$ 241,360</u>
Total Liabilities	<u>\$ 27,140</u>	<u>\$ 241,360</u>
<u>Net Position</u>		
Held in trust for OPEB benefits	<u>\$ 27,140</u>	<u>\$ -</u>
Total Liabilities and Net Position	<u><u>\$ 27,140</u></u>	<u><u>\$ 241,360</u></u>

Changes in Fiduciary Net Position-PARS Trust Fund

Additions:	
Employer contributions	\$ 24,402
Employee contributions	<u>24,402</u>
Total contributions	<u>48,804</u>
Investment income (loss):	
Net adjustment to fair value of investments	<u>3,681</u>
Total Additions (Deductions)	<u>3,681</u>
Deductions	
Distributions	(44,529)
Administrative expenses	<u>(5,358)</u>
Total Deductions	<u>(49,887)</u>
Change in plan net position	<u>2,598</u>
Net Position:	
Held in trust for OPEB benefits:	
Beginning of year	<u>238,762</u>
End of year	<u><u>\$ 241,360</u></u>

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

FULTON-EL CAMINO RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

Note 1: Summary of Significant Accounting Policies

The District was organized in 1956 by a vote of the public, under the California Public Resources Code, Section 5780. It operates under the direction of a five-member board duly elected and empowered by the electorate with sole authority over the District operations. Although the District is independent from the Sacramento County Board of Supervisors, its financial activities are processed through the County Auditor-Controller's Office. The District serves 32,000 residents in an area of 5.25 square miles. The District is authorized to and actually performs park and recreation services and park policing services.

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

A. Reporting Entity

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

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

The Fulton-El Camino Landscape and Lighting District (Assessment #1) and Parks Maintenance & Recreation Improvement District (Assessment #2) are included in the special revenue funds of the District.

B. Basis of Accounting

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

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

FULTON-EL CAMINO RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

C. Non-Current Governmental Assets/Liabilities

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

D. Basis of Presentation

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

Governmental Fund Types

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

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

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

Fiduciary Funds

Accounts for activities associated with the District's part time employee retirement trust funds.

The District does not operate enterprise funds.

FULTON-EL CAMINO RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

E. Use of Estimates

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

F. Restricted Assets

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

G. Compensated Absences

Compensated absences represent the vested portion of accumulated vacation. In accordance with GASB 16, the liability for accumulated leave includes all salary - related payments that are directly and incrementally connected with leave payments to employees, such as retirement pay. A current liability has been recorded in the governmental fund type to account for these vested leave accruals, which are expected to be used within the next fiscal year. At June 30, 2018, a long-term liability of \$69,224 for governmental activities has been recorded in the government-wide, statement of net position for unpaid vacation leave.

H. Property Taxes

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

FULTON-EL CAMINO RECREATION AND PARK DISTRICT

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

Note 1: Summary of Significant Accounting Policies (Continued)

I. Capital Assets

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

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

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

J: Deferred Inflows of Resources

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

K. Interfund Transactions

Operating transfers are transactions to allocate resources from one fund to another fund not contingent on the incurrence of specific expenditures in the receiving fund. Interfund transfers are generally recorded as operating transfers in and operating transfers out in the same accounting period. Transfers between governmental funds are netted as part of the reconciliation to the government-wide presentation.

L. Pensions

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

Note 2: Cash and Investments

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

Checking account	\$ 137,865
Imprest cash	300
Cash and investments with County Treasurer	<u>773,989</u>
Total cash and investments	<u><u>\$ 912,154</u></u>

FULTON-EL CAMINO RECREATION AND PARK DISTRICT

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

Note 2: Cash and Investments (Continued)

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

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

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

B. Disclosures Relating to Interest Rate Risk

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

<u>Investment Type</u>	<u>Totals</u>	<u>Remaining Maturity (in Months)</u>	
		<u>12 Months or Less</u>	<u>13-48 Months</u>
Sacramento County*	\$ 773,989	\$ 773,989	\$ -
Totals	\$ 773,989	\$ 773,989	\$ -

*Not subject to categorization

C. Concentrations of Credit Risk

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

D. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposit or will not be able to recover collateral securities that are in the possession of an outside party.

FULTON-EL CAMINO RECREATION AND PARK DISTRICT

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

Note 2: Cash and Investments (Continued)

D. Custodial Credit Risk (Continued)

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment of collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits; The California Government Code requires that a financial institution secured deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2018, the District's deposits balance was \$160,385 and the carrying amount was \$137,865. The difference between the bank balance and the carrying amount was due to normal outstanding checks and deposits in transit. Of the bank balance all was covered by the Federal Depository Insurance or by collateral held in the pledging bank's trust department in the District's name.

E. Investment in Government Pool

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

Note 3: Property Plant and Equipment

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

	Balance July 1, 2017	Additions Adjustments	Retirements/ Adjustments	Balance June 30, 2018
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 659,256	\$ -	\$ -	\$ 659,256
Intangible assets	18,533			18,533
Capital assets, being depreciated:				
Land improvements	6,230,828	60,774		6,291,602
Buildings and improvements	1,581,013	20,978		1,601,991
Equipment	575,339	169,179		744,518
Total capital assets, being depreciated	<u>7,716,062</u>	<u>250,931</u>	<u>-</u>	<u>8,638,111</u>
Less accumulated depreciation for:				
Land improvements	(5,023,315)	(202,335)		(5,225,650)
Buildings and improvements	(1,305,115)	(31,737)		(1,336,852)
Equipment	(459,794)	(56,713)	(26,510)	(543,017)
Total accumulated depreciation	<u>(3,991,768)</u>	<u>(290,785)</u>	<u>(26,510)</u>	<u>(7,105,519)</u>
Total capital assets, being depreciated, net	<u>3,724,294</u>	<u>(39,854)</u>	<u>(26,510)</u>	<u>1,532,592</u>
Governmental activities capital assets, net	<u>\$ 9,954,539</u>	<u>\$ (39,854)</u>	<u>\$ (26,510)</u>	<u>\$ 2,210,381</u>

FULTON-EL CAMINO RECREATION AND PARK DISTRICT

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

Note 4: Long-Term Liabilities

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

	Balance July 1, 2017	Additions/ Adjustments	Retirement/ Adjustments	Balance June 30, 2018	Due Within One Year
Compensated absences	\$ 79,029	\$ 45,209	\$ (55,015)	\$ 69,223	\$ 27,508
Net pension liability	1,590,113	269,343		1,859,456	-
Net OPEB liability	451,036	627,273		1,078,309	
Capital lease	8,884	120,093	(39,513)	89,464	3,054
Total	<u>\$ 2,129,062</u>	<u>\$ 1,061,918</u>	<u>\$ (94,528)</u>	<u>\$ 3,096,452</u>	<u>\$ 30,562</u>

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

Compensated Absences

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

Capital Leases

The District had eight capital leases during the 2017/18 fiscal year as follows:

On September 25, 2018 the District lease/purchased a 2014 Chevy Express for \$27,624.80 with a 5 year term and an effective interest rate of 13.61%. The final payment is due March 2020.

The District lease purchased a computer server on October 20, 2016 for \$15,600 with a 3 year term and a 4.75% interest rate. The final payment is due October 2019.

The District lease purchased a 2016 Chevy Tahoe on November 10, 2017 for \$34,746 with a 2 year term and an interest rate of 6.11%. The final payment is due November 2019.

The District lease purchased a 2018 Ford F-150 on March 7, 2018 for \$22,430.23 with a 3 year term and an interest rate of 6%. The final payment is due March 2020.

The District lease purchased a lighting system retrofit on October 4, 2017 for \$20,118 with a 5 year term and an interest rate of 4.5%. The final payment is due October 2022.

The District lease purchased a turf renovator on March 1, 2018 for \$11,847 with a 3 year term and an interest rate of 5.3%. The final payment is due March 2021.

The District lease purchased a chipper on August 25, 2017 for \$14,114 with a 5 year term and an interest rate of 5.5%. The final payment is due August 2019.

FULTON-EL CAMINO RECREATION AND PARK DISTRICT

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

Note 4: Long-Term Liabilities (Continued)

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

Fiscal Year Ended June 30,		
2019	\$	47,210
2020		41,849
2021		7,923
2022		1,893
Total minimum lease payments		98,875
Less: Amount representing interest		(9,411)
Present value of minimum lease payments	\$	89,464

Note 5: Park Dedication Fund

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

Note 6: Risk Management

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

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

Note 7: Lease Income

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

FULTON-EL CAMINO RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 8: Defined Benefit Pension Cost-Sharing Employer Plan

A. General Information about the Pension Plans

Plan Descriptions – All qualified permanent and probationary miscellaneous employees are eligible to participate in the District’s cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS 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. Classic members hired before January 1, 2013 with five years of total service are eligible to retire between ages 45 and 57 and PEPRA employees hired after January 1, 2013 are eligible to retire between ages 57 and 62, with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

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

	<u>Miscellaneous Tier 1</u>	<u>Miscellaneous Tier 2</u>	<u>PEPRA Miscellaneous Plan</u>
	Prior to January 1, 2010	After January 1, 2010	On or after January 1, 2013
Hire date			
Benefit formula	2% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55	56-60	57-62
Benefits, as a % of eligible compensation	1.5% to 2%	1.5% to 2%	1% to 2%
Required employee contribution rates	7.00%	7.00%	6.25%
Required employer contribution rates	8.92%	7.23%	6.53%

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, 2018, the contributions recognized as part of pension expense for each Plan were as follows:

Contributions-employer	\$	112,492
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FULTON-EL CAMINO RECREATION AND PARK DISTRICT

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

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

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate share of Net pension liability
Miscellaneous Plans	\$ 1,859,456

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

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

Proportion - June 30, 2016	0.045%
Proportion - June 30, 2017	0.047%
Change - Increase (Decrease)	0.002%

For the year ended June 30, 2018, the District recognized pension expense of \$346,855. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (33,861)
Changes in assumptions	291,214	
Net difference between projected and actual earnings on pension plan investments	71,297	
Changes in proportion	25,492	
Changes in proportionate share of contributions		(116,069)
District contributions subsequent to the measurement date	112,492	
Total	\$ 500,495	\$ (149,930)

\$112,492 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

FULTON-EL CAMINO RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 8: 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:

Measurement Period	
Ended June 30:	
2018	\$ (38,689)
2019	\$ (150,370)
2020	\$ (91,347)
2021	\$ 42,333
2022	\$ -
Thereafter	\$ -

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

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.15%

Discount Rate – The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments 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.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to a single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

FULTON-EL CAMINO RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	Current Allocation Target	Real Return Years 1-10 (1)	Real Return Years 11+ (2)
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19%	0.80%	0.0227
Inflation Sensitive	6%	0.60%	0.0139
Private Equity	12%	6.60%	0.0663
Real Estate	11%	2.80%	0.0521
Infrastructure and Forestland	3%	3.90%	0.0536
Liquidity	2%	-0.40%	(0.90)

(1) An expected inflation of 2.5% used for this period

(2) An expected inflation of 3.0% used for this period

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District’s proportionate share of the net pension liability 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:

	Discount Rate -1% (6.00%)	Current Discount Rate (7.00%)	Discount Rate +1% (8.00%)
Miscellaneous	\$ 2,898,619	\$ 1,859,456	\$ 998,802

Note 9: Post-Retirement Health Care Benefits

Plan Description. Fulton-El Camino Recreation and Park District’s (District) Post-Retirement Healthcare Plan is a single-employer defined benefit healthcare plan administered by CalPERS. The District provides medical insurance benefits only to eligible retirees. The employee must be eligible to retire from PERS, reached age 50 with 5 years of service for members entering before January 1, 2013 and age 52 with 5 years of service for members entering on or after January 1, 2013. Service includes services across all CalPERS employers, and with certain other Retirement Systems with which CalPERS has reciprocity agreements. The District pays the full single medical premium for the retiree and the cost of any dependent coverage is the responsibility of the retiree. The District-provided contribution is continued for the retiree’s lifetime.

Funding Policy. The contribution requirement of plan members is established by the Board of Directors. As of June 30, 2018 the Board of Directors did not establish a funding policy. The District uses the pay-as-you-go method under which contributions to the plan are generally made at the same time and in the same amount as retiree benefits and expenses become due.

Annual OPEB Cost and Net OPEB Obligation. The District does not currently calculate an actuarially determined contribution. The annual OPEB cost is based actuarially determined service cost and interest cost on the unfunded liability and amortization of other actuarially determined deferred inflows and outflows less amounts contributed by the District on the pay-as-you-go method. The Net OPEB Obligation is based on actuarially determined calculations using GASB 75 “lookback” method where assets and liabilities are measured as of the prior fiscal year-end, but applied to the current fiscal year reporting.

FULTON-EL CAMINO RECREATION AND PARK DISTRICT

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

Note 9: Post-Retirement Health Care Benefits (Continued)

Employees Covered By Benefit Terms

At the OPEB liability measurement date of June 30, 2018, the following employees were covered by the benefit terms:

Retirees currently receiving benefit payments	8
Active employees electing coverage	10
Total	18

Contributions

The District’s annual other post-employment benefit (OPEB) cost (expense) is calculated based on the actuarially determined contribution of the employer (ADC), an amount actuarially determined in accordance with the parameters of GASB Statement 75. The ADC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District did not currently calculate an ADC.

The contribution requirement of plan members is established by the Board of Directors. The 2017-18 fiscal year contribution was based on the actuarially determined contribution using entry age actuarial cost with normal costs calculated as a level percentage of payroll, as required by GASB 75. For the fiscal year ending June 30, 2018 valuation, the District contributed \$0 towards the unfunded actuarial liability (UAL). The District paid the retiree premiums for fiscal year end June 30, 2018 valuation directly to health insurance providers totalling \$43,850 (including implicit subsidy associated with benefits paid). Plan members receiving benefits contributed \$0 of the total premiums.

Net OPEB Liability: At June 30, 2018 the District reported a net OPEB liability of \$1,078,309. The net OPEB liability was measured from July 1, 2016 to June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation with a valuation date of June 30, 2017.

Actuarial Assumptions

The net OPEB liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Actuarial Assumptions:	
Discount Rate	3.56%
Healthcare trend rates	4.00% to 6.80%
Salary increase	Based on CalPERS Experience Study
Inflation factor	2.50%
Investment Rate of Return	N/A

FULTON-EL CAMINO RECREATION AND PARK DISTRICT

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

Note 9: Post-Retirement Health Care Benefits (Continued)

OPEB Assets

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Pay as you go	N/A	N/A
Total	0.00%	

(1): The District has not established an irrevocable trust.

The discount rate used to measure the total OPEB liability was 3.56 percent. The projection of cash flows used to determine the discount rate assumed the District's contributions will continue based upon the current OPEB funding pay-as-you-go policy.

Changes in the Net OPEB Liability

The table below shows the changes in the total OPEB liability, the Plan Fiduciary Net Position (i.e. fair value of Plan assets), and the net OPEB liability during the measurement period ending on June 30, 2018.

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary	Net OPEB Liability
		Net Position	
(a)	(b)	(c)	
Balances at 6/30/2017	\$ 1,132,119	\$ -	\$ 1,132,119
Changes for the year:			
Service cost	66,101		66,101
Interest	34,348		34,348
Changes of assumptions	(110,409)		(110,409)
Contribution-employer		43,850	(43,850)
Net investment income			-
Benefit payments	(43,850)	(43,850)	-
Net changes	(53,810)	-	(53,810)
Balances at 6/30/18	\$ 1,078,309	\$ -	\$ 1,078,309

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District's share of the net OPEB liability 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 2.56%	Discount Rate 3.56%	1% Increase 4.56%
Net OPEB liability (asset)	\$ 1,258,337	\$ 1,078,309	\$ 934,494

FULTON-EL CAMINO RECREATION AND PARK DISTRICT

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

Note 9: Post-Retirement Health Care Benefits (Continued)

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the District recognized OPEB expense of \$0. OPEB expense represents the change in the net OPEB liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, and actuarial assumptions or methods. At June 30, 2018, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on retirement plan investments	-	-
District contributions subsequent to measurement date	46,872	-
Totals	\$ 46,872	\$ -

\$46,872 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019.

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

<u>Year Ended June 30,</u>	
2019	\$ -
2020	-
2021	-
2022	-
Total	\$ -

Note 10: Stewardship, Compliance and Accountability

A. Deficit Net Position

The unrestricted net position in the government-wide financial statements was a deficit at June 30, 2018. The \$1,767,561 deficit net position was created as a result of Governmental Accounting Standards Board (GASB) No. 68/71 and GASB No. 74/75 implementation which required the District to record the net pension liability for the retirement plan and the Net OPEB liability for the post-retirement health care plan. The deficit is expected to be eliminated as the District reduces the net pension liability and the net OPEB liability.

B. Prior Period Adjustments and Restatement of Net Position and Fund Balance

A prior period adjustment was made increasing general fund, fund balance \$34,050 to account for the police park patrol receivable due from other entities as of June 30, 2018. A prior period adjustment was made reducing the park maintenance and improvement district special revenue fund, fund balance \$10,304 to recognize expenditures in the revolving fund during the 2016/17 fiscal year, that were not recorded in the prior fiscal year.

Beginning net position was reduced \$580,401 in the government-wide financial statements as a result of implementing GASB 75 for Post-Retirement Health Care Benefits.

FULTON-EL CAMINO RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 11: Cafeteria Plan

As of January 1, 2007, the District began offering full time employees the option of participating in a Cafeteria Plan described in Section 125 of the Internal Revenue Code. The plan allows full time employees the option to pay out of pocket medical and childcare expenses with pre-tax income. For employees enrolled in the plan a payroll deduction is made each pay period and deposited into a trust account. Employees then submit eligible receipts to the plan administrator who pays the expense from the trust account. The District is also acting as the plan administrator. At June 30, 2017, the account had a balance of \$4,708.

Note 12: Deferred Compensation Plan

The District's full time employees participate in a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all District full time employees, permits them to defer a portion of their salary until future years. Plan provisions are established or amended by District board resolution. The District part time employees participate in a deferred compensation plan, in accordance with Internal Revenue Code Section 457, whereby the District matches 3.75% of the 7.5% contribution required by part time employees. Participants vest at service inception and are entitled to 100% of vested contributions. The contributions are made in lieu of social security. The District uses Public Agency Retirement Services (PARS) as the trustee and contributed \$45,157 to the part time participant accounts during the 2017-2018 fiscal year.

Note 13: ERAF Property Tax Shift

During the 2017-2018 fiscal year the County of Sacramento Department of Finance Auditor Controller Division shifted \$549,392 property tax revenue from the Fulton-El Camino Recreation and Park District to the educational revenue augmentation fund (ERAF). The ERAF I property tax shift started during the 1992-1993 fiscal year to help solve the State budget crisis. The ERAF I shifts property tax revenues, designated for special districts, to community colleges and schools K-12. The accumulated total property tax revenues shifted from Fulton-El Camino Recreation and Park District from the 1992-1993 fiscal year through the 2017-2018 fiscal year was \$10,856,583.

Note 14: Gann Limit

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

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

Note 15: Fund Balances – Governmental Funds

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

FULTON-EL CAMINO RECREATION AND PARK DISTRICT

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

Note 16: Commitments and Contingent Liabilities

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

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

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

Note 17: Subsequent Events

On February 14, 2019 the District entered into a lease financing agreement with UMPQUA bank whereby they borrowed \$1,200,000 for the purpose of purchasing land and making improvements to District facilities. The loan is for 17 years with the final payment due on March 1, 2036. The loan carries a 3.050% interest rate and the District paid approximately \$57,000 cost of issuance fees.

On February 14, 2019 the District purchased property at 2328 Edison Avenue, Sacramento, CA 95821 for \$550,000 plus closing costs of \$40,025. Financing for this purchase came primarily from the proceeds of the loan discussed in the preceding paragraph.

In February 2019 the District entered into a contract with ABM Building Solutions to make energy upgrades to the HVAC systems throughout the District and to upgrade the swimming pool equipment at the Cottage Park swimming pool. The total contracted amount is \$532,429.

FULTON-EL CAMINO RECREATION AND PARK DISTRICT

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

	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>(Unfavorable)</u>
Revenues				
Property taxes	\$ 1,186,715	\$ 1,186,715	\$ 1,194,340	\$ 7,625
Intergovernmental revenues	184,202	184,202	45,225	(138,977)
Charges for current services	920,353	920,353	755,141	(165,212)
Fines forfeitures and penalties	48,700	48,700	33,601	(15,099)
Use of money and property	70,000	70,000	82,181	12,181
Other revenues	<u>36,500</u>	<u>36,500</u>	<u>124,563</u>	<u>88,063</u>
 Total Revenues	 <u>2,446,470</u>	 <u>2,446,470</u>	 <u>2,235,051</u>	 <u>(211,419)</u>
Expenditures				
Salaries and benefits	1,760,605	1,760,605	1,746,532	14,073
Services and supplies	397,297	397,297	390,903	6,394
Capital outlay	166,450	166,450	90,068	76,382
Debt service				
Principal			17,412	(17,412)
Interest			475	(475)
Total Expenditures	<u>2,324,352</u>	<u>2,324,352</u>	<u>2,245,390</u>	<u>78,962</u>
 Net Change in Fund Balance	 <u>\$ 122,118</u>	 <u>\$ 122,118</u>	 <u>(10,339)</u>	 <u>\$ (132,457)</u>
 Fund Balances, July 1, 2017			569,470	
Prior Period Adjustment			<u>34,050</u>	
Fund Balances, June 30, 2018			<u>\$ 593,181</u>	

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

FULTON-EL CAMINO RECREATION AND PARK DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FULTON-EL CAMINO LANDSCAPE AND LIGHTING DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Assessments	\$ 375,919	\$ 375,919	\$ 371,822	\$ (4,097)
Use of money and property	25,640	25,640	25,823	183
Total Revenues	<u>401,559</u>	<u>401,559</u>	<u>397,645</u>	<u>(3,914)</u>
Expenditures				
Salaries and benefits	25,392	25,392	25,392	-
Services and supplies	360,250	360,250	360,270	(20)
Capital outlay	30,000	30,000	-	30,000
Debt service				
Principal			2,895	(2,895)
Interest			891	(891)
Total Expenditures	<u>415,642</u>	<u>415,642</u>	<u>389,448</u>	<u>26,194</u>
Total revenues over (under) expenditures Before other financing sources (uses)	<u>(14,083)</u>	<u>(14,083)</u>	<u>8,197</u>	<u>22,280</u>
Other financing sources (uses)				
Operating transfers out			<u>(323)</u>	<u>(323)</u>
Net Change in Fund Balance	<u>\$ (14,083)</u>	<u>\$ (14,083)</u>	7,874	<u>\$ 21,957</u>
Fund Balances, July 1, 2017			<u>132,075</u>	
Fund Balances, June 30, 2018			<u>\$ 139,949</u>	

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

FULTON-EL CAMINO RECREATION AND PARK DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FULTON-EL CAMINO MAINTENANCE DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Revenues				
Assessments	\$ 219,596	\$ 219,596	\$ 214,513	\$ (5,083)
Intergovernmental	333,197	333,197		(333,197)
Use of money and property	<u>1,500</u>	<u>2,000</u>	<u>2,386</u>	<u>386</u>
Total Revenues	<u>554,293</u>	<u>554,793</u>	<u>216,899</u>	<u>(337,894)</u>
Expenditures				
Salaries and benefits	178,868	178,868	178,868	-
Services and supplies	28,933	28,933	35,680	(6,747)
Capital outlay	409,577	409,577	96,654	312,923
Debt service				
Principal			19,208	(19,208)
Interest			<u>4,059</u>	<u>(4,059)</u>
Total Expenditures	<u>617,378</u>	<u>617,378</u>	<u>334,469</u>	<u>282,909</u>
Total revenues over (under) expenditures Before other financing sources (uses)	<u>(63,085)</u>	<u>(62,585)</u>	<u>(117,570)</u>	<u>(54,985)</u>
Other financing sources (uses)				
Proceeds of capital lease			89,142	89,142
Operating transfers in			<u>323</u>	<u>323</u>
Total other financings sources (uses)			<u>89,465</u>	<u>89,465</u>
Net Change in Fund Balance	<u>\$ (63,085)</u>	<u>\$ (62,585)</u>	<u>(28,105)</u>	<u>\$ 34,480</u>
Fund Balances, July 1, 2017			151,225	
Prior Period Adjustment			<u>(10,304)</u>	
Fund Balances, June 30, 2018			<u>\$ 112,816</u>	

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

FULTON-EL CAMINO RECREATION AND PARK DISTRICT

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

<u>Reporting Date For Employer under GASB 68 as of June 30</u>	<u>District's proportion of the net pension liability (asset)</u>	<u>District's proportionate share of the net pension liability (asset)</u>	<u>District's covered-employee payroll</u>	<u>District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
6/30/2014	Not available	\$1,117,117	\$504,815	221.29%	73.03%
6/30/2015	0.043%	\$995,745	\$495,304	201.04%	84.43%
6/30/2016	0.046%	\$1,590,113	\$561,113	283.39%	76.72%
6/30/2017	0.047%	\$1,859,456	\$547,850	339.41%	73.90%

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

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

FULTON-EL CAMINO RECREATION AND PARK DISTRICT

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

<u>Reporting Date For Employer under GASB 68 as of June 30</u>	<u>Contractually required contribution</u>	<u>Contributions in relation to the contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered employee payroll</u>	<u>Contribution as a percentage of covered employee payroll</u>
6/30/2014	Varies	NA	NA	\$437,690	NA
6/30/2015	\$52,654	(\$52,654)	\$0	\$418,772	12.57%
6/30/2016	\$58,538	(\$58,538)	\$0	\$477,485	12.26%
6/30/2017	\$143,150	(\$143,150)	\$0	\$394,265	36.31%

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

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

FULTON-EL CAMINO RECREATION AND PARK DISTRICT

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

Service cost	\$ 66,101
Interest	34,348
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(110,409)
Benefit payments**	<u>(43,850)</u>
Net change in total OPEB liability	(53,810)
Total OPEB liability-beginning (a).	<u>1,132,119</u>
Total OPEB liability-ending (b)	<u><u>\$1,078,309</u></u>

Plan fiduciary net position

Contributions-employer **	\$ 43,850
Net investment income	-
Benefit payments	(43,850)
Administrative expenses	<u> </u>
Net change in plan fiduciary net position	-
Plan fiduciary net position-beginning (c)	<u> </u>
Plan fiduciary net position-ending (d)	<u><u>\$ -</u></u>

Net OPEB liability-beginning (a)-(c)	\$1,132,119
Net OPEB liability-ending (b)-(d)	\$1,078,309

Plan fiduciary net position as a percentage of the total OPEB liability 0%

Covered-employee payroll \$ 635,801

District's net OPEB liability as a percentage of covered-employee payroll 170%

Measurement date 6/30/2017

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

**Amount includes implicit subsidy associated with benefits paid.

FULTON-EL CAMINO RECREATION AND PARK DISTRICT
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

Note 1: Budgets and Budgetary Accounting:

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

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

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

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

Fulton-El Camino Recreation and Park District
Management Report
June 30, 2018

LARRY BAIN, CPA

An Accounting Corporation

2148 Frascati Drive, El Dorado Hills, CA 95762 / 916.601-8894
lpbain@sbcglobal.net

COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES

Board of Directors
Fulton-El Camino Recreation and Park District
Sacramento, CA

We have audited the financial statements of the Fulton-El Camino Recreation and Park District as of and for the fiscal year ended June 30, 2018, and have issued our report thereon dated March 20, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We consider findings 18-1 and 18-2 in the following findings and recommendations to be deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 18-3, 18-4, 18-5, 18-6 and 18-7 in the following schedule of findings to be significant deficiencies in the District's internal control.

Purpose of this Report

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

This communication is intended solely for the information and use of the Board of Directors and management, and is not intended to be and should not be used by anyone other than these specified parties.

Larry Bain, CPA,
An Accounting Corporation
March 20, 2019

**FULTON-EL CAMINO RECREATION AND PARK DISTRICT
FINDINGS AND RECOMMENDATIONS
JUNE 30, 2018**

Significant Deficiencies Deemed Material Weaknesses

Finding 18-1: During our review of beginning balances, we noted that \$30,951 of capital lease debt was not recorded in the prior year financial statements. Furthermore \$64,210 of prior year assets purchase with capital leases were not recorded as government-wide capital assets and the accumulated depreciation on those assets of \$26,510 was not recorded. We also determined that \$34,050 in prior year receivables, due from other governments for park police services was not recorded in the June 30, 2017 financial statements.

During our audit we also noted purchases made during the prior year from the revolving fund bank account were not recorded as expenses in the prior year audit. We proposed a prior year adjustment in the amount of \$12,602 to record prior year revolving fund expenditures that were omitted from the prior year financial statements.

Recommendation: We recommend the District verify that all capital leases are accounted for in the financial statements. We also recommend recording activity in the outside bank accounts to the proper fiscal year. The auditor should not be making material adjustments to the financial statements as this can impair independence. This condition could result in a qualified or adverse opinion if not corrected.

FS 18-2: The District relies on the external auditor to ensure its financial statements are in accordance with GAAP. In addition, the District relies on the external auditor to ensure that all necessary disclosures are included in the notes to the financial statements. The District does not employ a staff member with the necessary knowledge and training to prepare governmental financial statements. In accordance with AU-C 265 external auditors cannot be part of an entity's internal controls over preparation of the financial statements and are prohibited from auditing their own work, which would impair their independence.

Recommendation: The District should also consider training staff in preparing GAAP financial statements or hire an external qualified accountant to prepare the GAAP financial statements.

Significant Deficiencies not Deemed Material Weaknesses

Finding 18-3: We noted the District had a lack of segregation of duties, as one person is capable of handling all aspects of processing transactions from beginning to end. A lack of segregation of duties increases the risk of potential errors or irregularities; however, due to a limited number of personnel an adequate segregation of duties is not possible without incurring additional costs. This comment has been noted in previous audits.

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

Finding 18-4: During our testing of capital assets we noted the District policy number 3030 for fixed asset accounting has a \$500 capitalization threshold and is not compliant with GASB 34 standards for fixed assets. The District could not locate the capital asset policy adopted for fiscal year end 2004 when Governmental Accounting Standards Board No. 34 was adopted.

Recommendation: We recommend the District locate the capital asset policy adopted for the fiscal year end June 30, 2004 audit and update the District policy and procedure manual number 3030 for fixed asset accounting to agree with the GASB 34 compliant policy.

**FULTON-EL CAMINO RECREATION AND PARK DISTRICT
FINDINGS AND RECOMMENDATIONS
JUNE 30, 2018**

Significant Deficiencies not Deemed Material Weaknesses (Continued)

Finding 18-5: During our audit we noted that capital lease principal and interest payments were recorded to capital asset accounts and the line of credit principal and interest payments were recorded as debits to miscellaneous revenue. We reclassified \$39,515 principal expense and \$5,425 interest expense from capital expense and miscellaneous revenue accounts. We also noted the District budgeted the lease payments in capital expense accounts as opposed to principal and interest expense accounts.

Recommendation: We recommend recording capital lease principal and interest payments to principal and interest expense accounts as opposed to miscellaneous revenue and capital expense accounts. Furthermore we recommend the District establish a budget for capital lease payments under principal and interest expense accounts.

Finding 18-6: During our audit of cash we noted that not all of the bank accounts maintained outside of the Sacramento County Treasury were reconciled on a monthly. Furthermore we noted the reconciled balance for the general checking holding account was \$119,962.80 at June 30, 2018, however the District transferred \$130,227.07 to clear June 2018 deposits resulting in \$10,264.27 transferred in excess of the June 30, 2018 reconciled balance.

Recommendation: We recommend the District reconcile all bank accounts maintained outside of the Sacramento County Treasury each month, in a timely manner after month end. Ideally an employee who is not involved in the cash receipts or cash disbursement controls for each bank account should be performing the bank reconciliations. Furthermore we recommend only transferring the reconciled holding account balance, less the normal account balance, to the Districts cash account at Sacramento County each month.

Finding 18-7: Governmental Accounting Standards Board Statement No. 54 went into effect for fiscal year ended June 30, 2011. The standard updated the fund balance classifications in order to enhance the usefulness of fund balance information and provide clearer fund balance classifications. The District did not have an approved fund balance policy that complies with GASB 54.

Recommendation: The District should implement the provisions of GASB 54.

LARRY BAIN, CPA

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March 20, 2019

To the Board of Directors
Fulton-El Camino Recreation and Park District

We have audited the financial statements of the governmental-type activities of Fulton-El Camino Recreation and Park District for the year ended June 30, 2018, and have issued our report thereon dated March 20, 2019. Professional standards require that we provide you with the following information related to our audit.

Our responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated November 20, 2018, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit as communicated in our engagement letter November 20, 2018.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

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 application of other existing policies was not changed during the 2017-2018 fiscal year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. We made prior period adjustments to record prior capital leases and prior year revolving account activity that were omitted from the prior year financial statements. We also restated beginning net position in the government-wide financial statements to implement the provisions of GASB 75 for other post-employment benefits (OPEB).

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 was (were):

Management's estimate of the useful lives of assets for calculating depreciation expense is based on GFOA recommended useful lives. We evaluated the key factors and assumptions used to develop the useful life estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

Managements estimate of allocating expenses to the landscape and lighting assessment districts is based on expected usage of services and supplies within the assessment district and is part of the budget approved in the engineers report. The district does not allocate salaries to the landscape and lighting assessment district. We analyzed current and prior allocations to determine reasonable trends in allocating expenses to the lighting and landscape assessment districts.

Difficulties Encountered in performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The material audit adjustments made for the June 30, 2018 audit are noted in the internal control letter in the audit report. We recorded all known misstatements and prepared the conversion entries from the fund financial statement presentation to government-wide financial statements.

Disagreements with Management

For purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significance 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.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 20, 2019.

Management Consultation with Other Independent Accountants

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.

Other Audit Findings or Issues

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 governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention. We would like to bring the following item discussed with management to the Board of Directors attention:

1. During our audit we noted that the County of Sacramento implemented a payroll software conversion starting in January 2018. During this conversion the County was making errors in double withdrawing certain payroll liability related payments. Based on our calculation the County over withdrew from the District cash account, \$35,475 We recorded a due from other government (asset) for this amount that is expected to be recovered from the County in the 2018/19 fiscal year.

This information is intended solely for the use of the Board of Directors and management of Fulton-El Camino Recreation and Park District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Larry Bain, CPA,
An Accounting Corporation