

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2018**

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of North Highlands Recreation and Park District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the North Highlands Recreation and Park District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the North Highlands Recreation and Park District as of June 30, 2018, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison for the General fund, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated December 21, 2018, on our consideration of the North Highlands Recreation and Park District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the North Highlands Recreation and Park District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering North Highlands Recreation and Park District's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Roseville, California  
December 21, 2018

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

This section of the North Highlands Recreation and Park District's (District) annual financial report presents an analysis of the District's financial performance during the fiscal year ended June 30, 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 \$7,699,612 (net position). Of this amount \$879,242 is restricted for developer deposits, \$801,330 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors, and \$6,019,040 is invested in capital assets (net).
- As of June 30, 2018, the district's governmental funds reported combined fund balances of \$1,832,647 of which \$834,378 is available to meet the District's current and future needs (assigned/unassigned fund balance).
- At the end of the fiscal year, unassigned fund balance for the general fund was \$834,378 of total general fund expenditures.
- The District had no long-term debt outstanding 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 basic financial statements. This report also includes additional required supplementary information in addition to the basic financial statements.

**REQUIRED FINANCIAL STATEMENTS**

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

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

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

**REQUIRED FINANCIAL STATEMENTS (CONTINUED)**

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

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

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

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

**Notes to the Basic Financial Statements**

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

**Other Information**

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

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Condensed Statements of Net Position  
June 30, 2018 and 2017**

	2018	2017
<b>Assets</b>		
Current and Other Assets	\$ 1,832,647	\$ 1,466,865
Capital Assets	6,019,040	6,011,302
Total Assets	7,851,687	7,478,167
<b>Liabilities</b>		
Current/Noncurrent Liabilities	152,075	160,141
<b>Net Position</b>		
Net Investment in Capital Assets	6,019,040	6,011,302
Restricted Net Position	879,242	486,845
Unrestricted Net Position	801,330	819,879
Total Net Position	\$ 7,699,612	\$ 7,318,026

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

**Condensed Statements of Activities  
Years Ended June 30, 2018 and 2017**

	2018	2017
Program Revenues:		
Recreation Services	\$ 336,753	\$ 309,613
Operating Grants and Contributions	85,510	80,552
Capital Grants and Contributions	601,816	340,195
General Revenue:		
Property Taxes	1,260,785	1,166,386
Investment Income	18,103	11,102
Miscellaneous	18,857	163,825
Total Revenue	2,321,824	2,071,673
Expenses:		
Recreation and Park Activities	(1,940,238)	(1,768,304)
Changes in Net Position	381,586	303,369
Net Position - Beginning of Year	7,318,026	7,014,657
Net Position - End of Year	\$ 7,699,612	\$ 7,318,026

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

**BUDGETARY HIGHLIGHTS**

General fund revenues were budgeted at \$1,767,477. The actual revenues for the 2017-2018 fiscal year were \$1,735,884 or \$31,593 less than the final budget. Generally, the revenues increased or remained consistent with the prior year except for other revenues. Other revenues decreased over prior year and were below budget by approximately \$70,000.

General fund expenditures were budgeted at \$1,792,033. The actual amount expended was \$1,932,862 or \$140,829 more than the final budget. The expenditure variance was due to capital outlay expenditures during the fiscal year.

**CAPITAL ASSETS**

As of June 30, 2018, the District's net investment in capital assets totaled \$6,019,040 net of accumulated depreciation. The net investment in capital assets includes land, buildings and improvements, site improvements, and equipment. The capital assets are presented in the government-wide statement of net position.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

Property taxes received by the District continue to be positive. In FY 2019-20, the District anticipates receiving additional property tax revenue from new home construction at the Elverta Park residential development project (225 new homes). As of June 30, 2018, approximately fifty percent or 113 homes have been constructed or received building permits from Sacramento County. The project is anticipated to be completed in 2019.

A local developer has indicated that a second new residential development project (The Lakes at Antelope) will begin construction within the District's boundaries in spring 2019. This project represents 281 new homes that will be constructed over the next several years and will generate additional property tax revenue for the District.

The District has currently received approximately \$900,000 in Park Fees generated from the Elverta Park residential project. At build out, the District anticipates collecting a total of \$1,575,000 in new Park Fees from this project. From that amount, approximately \$900,000 has been allocated to construct a new neighborhood park (Cherry Blossom Park). Completion of the new park will occur sometime in early 2019. A Community Facilities District (CFD) has been formed and will generate approximately \$100,000 annually for maintenance of the new park.

At build out, The Lakes at Antelope will generate approximately \$2,100,000 in additional Park Fees. Some or all of those fees will likely be allocated for construction of a new "offsite" neighborhood park and/or can be used for improvements to other District recreation buildings and parks.

The District continues to evaluate all existing programs and services as a means of generating new revenue and cost savings. The District continues to explore new ideas to generate additional revenue.

The District was a recipient of numerous SMUD LED lighting rebates for the Community Center, Capehart Gym and Childcare Program Building, and the District's Administrative Building. The net cost to the District is approximately \$20,000; however, the return on investment is approximately 13 months. Thereafter, the District anticipates an annual savings from the retrofit project in excess of \$21,000.

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

As a result of terminating the lease of the Freedom Park Softball Complex operator, the District incurred a temporary reduction of revenue in FY 2017-18 of approximately \$25,000. However, the District entered into a lease agreement with a new operator that will result in annual revenues to the District of \$60,000 in FY 2018-19, with additional increases each year for the next four years of the lease.

In FY 2018-19, the District will assume maintenance of Cherry Blossom Park. This will require the hiring of a new employee. Initially, the District will hire a part time employee to service the park supplemented by full time staff. At some point in the near future, the District may see a benefit to hiring one additional FT maintenance employee that is supported by the CFD and General Fund.

the Community Center remodel project, including new LED lights, flooring and other related 2018-2019 District Goals:

- Hold a formal dedication ceremony for the renaming of the Community Center for the former long term retired District Administrator Kay F. Dahill
- Complete the Community Center remodel project, including new LED lights, flooring and other related improvements
- Complete the District Office Complex Landscape Project
- Retrofit LED lighting at the Community Center, Capehart Gym, Administrative Buildings and parking lot.
- Reseal roofs of various District buildings
- Complete new park signage for at Capehart Gym and Community Center

**ADDITIONAL FINANCIAL INFORMATION**

This financial report is designed to provide the District's customers, investors and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the North Highlands Recreation and Park District Administrator at 6040 Watt Avenue, North Highlands, California 95660.

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2018**

	Governmental Activities
<b>ASSETS</b>	
Current Assets:	
Cash and Investments	\$ 923,002
Accounts Receivable	25,000
Interest Receivable	10,558
Restricted Cash and Investments	874,087
Total Current Assets	1,832,647
Capital Assets:	
Land	3,123,569
Construction in Process	59,301
Site Improvements	3,756,932
Buildings and Improvements	4,331,978
Equipment	592,813
Total	11,864,593
Less: Accumulated Depreciation	5,845,553
Total Capital Assets	6,019,040
Total Assets	7,851,687
<b>LIABILITIES</b>	
Current Liabilities:	
Claims Payable	49,520
Accrued Payroll	22,781
Deposits	21,726
Compensated Absences, Current	29,024
Total Current Liabilities	123,051
Noncurrent Liabilities:	
Compensated Absences, Noncurrent	29,024
Total Liabilities	152,075
<b>NET POSITION</b>	
Net Investment in Capital Assets	6,019,040
Restricted for Developer Fees	879,242
Unrestricted	801,330
Total Net Position	\$ 7,699,612

See accompanying Notes to Basic Financial Statements.

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT  
STATEMENTS OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018**

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
<b>Governmental Activities:</b>				
Recreational Services	<u>\$ 1,940,238</u>	<u>\$ 336,753</u>	<u>\$ 85,510</u>	<u>\$ 601,816</u>
				<u>\$ (916,159)</u>
General Revenues:				
Property Taxes				1,260,785
Investment Income				18,103
Other Revenues				18,857
Total General Revenues				<u>1,297,745</u>
Change in Net Position				381,586
Net Position - Beginning				<u>7,318,026</u>
Net Position - Ending				<u>\$ 7,699,612</u>

See accompanying Notes to Basic Financial Statements.

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2018**

	General Fund	Developer In-Lieu Fees	Park Development Fees	Total Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 923,002	\$ -	\$ -	\$ 923,002
Accounts Receivable	25,000	-	-	25,000
Interest Receivable	5,403	98	5,057	10,558
Restricted Cash and Investments	-	13,266	860,821	874,087
<b>Total Assets</b>	<b>\$ 953,405</b>	<b>\$ 13,364</b>	<b>\$ 865,878</b>	<b>\$ 1,832,647</b>
<b>LIABILITIES</b>				
Claims Payable	\$ 49,520	\$ -	\$ -	\$ 49,520
Accrued Payroll	22,781	-	-	22,781
Deposits	21,726	-	-	21,726
<b>Total Liabilities</b>	<b>94,027</b>	<b>-</b>	<b>-</b>	<b>94,027</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue	25,000	-	-	25,000
<b>FUND BALANCE</b>				
Restricted for Developer Deposits	-	13,364	865,878	879,242
Assigned	-	-	-	-
Unassigned	834,378	-	-	834,378
<b>Total Fund Balances</b>	<b>834,378</b>	<b>13,364</b>	<b>865,878</b>	<b>1,713,620</b>
<b>Total Liabilities, Deferred Inflows of of Resources, and Fund Balances</b>	<b>\$ 953,405</b>	<b>\$ 13,364</b>	<b>\$ 865,878</b>	<b>\$ 1,832,647</b>

See accompanying Notes to Basic Financial Statements.

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2018**

Fund Balances of Governmental Funds \$ 1,713,620

Amounts reported for governmental activities in the statement of net position are different because:

Net Investment in capital assets, are not a current financial resources and are not included in the governmental funds. 6,019,040

Unavailable revenues represent amounts that are not available to fund current expenditures and, therefore, are not reported in the governmental funds. 25,000

Compensated absences that are not due and payable in the current period and are not reported in the funds. (58,048)

Net Position of Governmental Activities \$ 7,699,612

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
YEAR ENDED JUNE 30, 2018**

	General Fund	Developer In-Lieu Fees	Park Development Fees	Total Governmental Funds
<b>REVENUES</b>				
Property Taxes	\$ 1,260,785	\$ -	\$ -	\$ 1,260,785
Intergovernmental Revenues	85,510	-	-	85,510
Charges for Current Services	189,928	-	-	189,928
Use of Money and Property	155,804	189	8,935	164,928
Development Fees	-	-	601,816	601,816
Other Revenues	43,857	-	-	43,857
Total Revenues	<u>1,735,884</u>	<u>189</u>	<u>610,751</u>	<u>2,346,824</u>
<b>EXPENDITURES</b>				
Salary and Benefits	1,161,608	-	-	1,161,608
Services and Supplies	534,037	-	-	534,037
Capital Outlay	237,217	-	-	237,217
Total Expenditures	<u>1,932,862</u>	<u>-</u>	<u>-</u>	<u>1,932,862</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>				
	<u>(196,978)</u>	<u>189</u>	<u>610,751</u>	<u>413,962</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	220,000	-	-	220,000
Transfers Out	-	-	(220,000)	(220,000)
Total Other Financing Sources (Uses)	<u>220,000</u>	<u>-</u>	<u>(220,000)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>				
	23,022	189	390,751	413,962
Fund Balances - July 1, 2017	<u>811,356</u>	<u>13,175</u>	<u>475,127</u>	<u>1,299,658</u>
<b>FUND BALANCES - JUNE 30, 2018</b>	<u><u>\$ 834,378</u></u>	<u><u>\$ 13,364</u></u>	<u><u>\$ 865,878</u></u>	<u><u>\$ 1,713,620</u></u>

See accompanying Notes to Basic Financial Statements.

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018**

Net Change in Fund Balances - Total Governmental Funds \$ 413,962

Amounts reported for governmental activities in the statement of activities differs from the amounts reported in the statement of revenues, expenditures, and changes in fund balances because:

Long-term receivables are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds. (25,000)

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

Cost of Assets Capitalized	239,902
Depreciation Expense	(232,164)

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. (15,114)

Change in Net Position of Governmental Activities \$ 381,586

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

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

Component Unit

The District's Board of Directors approved the formation of the Community Facilities District (CFD) No. 2016-01 (Elverta Park) which authorized a special tax levy within CFD 2016-1 for the purpose of providing services for maintenance, servicing and replacement of existing park and recreation facilities for the 3.03 acre Elverta Park development and incidental expenses. As of June 30, 2017, no special taxes have been collected.

**B. Basis of Accounting**

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Resources not available to finance expenditures and commitments of the current period are recognized as deferred revenue or as a reservation of fund balance. The District considers property taxes available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt, as well as compensated absences and claims and judgments are recorded only when payment is due. General capital acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**C. Basis of Presentation**

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

The District reports the following major governmental funds:

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

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

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

**D. Restricted Assets**

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

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**E. Capital Assets**

Capital assets, recorded at historical cost or estimated historical cost if actual historical cost is not available, are reported in governmental activities column of the government-wide financial statements. Contributed fixed assets are valued at their acquisition value. Capital assets include land, buildings and building improvements and equipment. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation is recorded in the government-wide financial statements on the straight-line basis over the useful life of the assets as follows:

<u>Assets</u>	<u>Useful Life</u>
Buildings and Improvements	10 – 30 Years
Site Improvements	10 – 20 Years
Equipment and Machinery	5 – 20 Years

**F. Deferred Inflows of Resources**

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

**G. Compensated Absences**

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

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**H. Equity Classifications**

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

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

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

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

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

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**I. Property Taxes**

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

**J. Use of Estimates**

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

**NOTE 2 CASH AND INVESTMENTS**

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

Imprest Cash	\$ 600
Cash and Investments in the County Treasurer	1,797,089
Total Cash and Investments	<u>\$ 1,797,689</u>

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

The table below identifies the investment types that are authorized for the North Highlands Recreation and Park District by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk and concentration of credit risk.

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

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

**B. Disclosures Relating to Interest Rate Risk**

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

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity (in Months)</u>	
		<u>12 Months or Less</u>	<u>13-48 Months</u>
Sacramento County*	\$ 1,797,089	\$ 1,797,089	\$ -

**C. Concentrations of Credit Risk**

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

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**D. Custodial Credit Risk**

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

**E. Investment in Government Pool**

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

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 3 PROPERTY PLANT AND EQUIPMENT**

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

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Retirement/ Adjustments</u>	<u>Balance June 30, 2018</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 3,123,569	\$ -	\$ -	\$ 3,123,569
Capital Assets, Depreciable:				
Structures and Improvements	7,928,473	160,437	-	8,088,910
Equipment	572,649	20,164	-	592,813
Total Capital Assets, Being Depreciated	<u>8,501,122</u>	<u>180,601</u>	<u>-</u>	<u>8,681,723</u>
Less Accumulated Depreciation For:				
Structures and Improvements	(5,076,196)	(224,223)	-	(5,300,419)
Equipment	(537,193)	(7,941)	-	(545,134)
Total Accumulated Depreciation	<u>(5,613,389)</u>	<u>(232,164)</u>	<u>-</u>	<u>(5,845,553)</u>
Total Capital Assets, Being Depreciated, Net	<u>2,887,733</u>	<u>(51,563)</u>	<u>-</u>	<u>2,836,170</u>
Capital Assets, Net	<u>\$ 6,011,302</u>	<u>\$ (51,563)</u>	<u>\$ -</u>	<u>\$ 5,959,739</u>

**NOTE 4 LONG-TERM LIABILITIES**

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

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
<b>Government Activities</b>					
Compensated Absences	\$ 42,934	\$ 48,930	\$ 33,816	\$ 58,048	\$ 29,024

**NOTE 5 PARK DEDICATION FUNDS**

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

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 6 RISK MANAGEMENT**

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

The Agreement for Formation provides that CAPRI will be self-sustaining through member premiums. CAPRI reinsures through commercial companies for claims up to \$10,000,000 for general and automobile liability and all risk property insurance, including boiler and machinery coverage, is subject to a \$2,000 deductible occurrence payable by the District. Financial statements for CAPRI are available at the District's office for fiscal year ended June 30, 2018.

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

**NOTE 7 SITE LEASE AGREEMENTS**

The District entered into a site lease agreement with Sacramento Employment and Training Agency (SETA) whereby the District leases the Strizek Park Clubhouse to SETA for the Headstart program. The lease expires in 2019. Monthly payments of \$1,818 are due and payable at the end of each month. SETA will continue to be responsible for paying all utilities including electricity, gas, water, sewer, garbage, and waste removal.

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

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

On October 11, 2003, the District entered into a site lease agreement with DF Softball whereby DF Softball organizes and promotes league and tournament softball in the Freedom Park Softball Complex. The agreement was extended during the 2013/14 fiscal year on a month-to-month basis until the operator brings the site improvements up to code.

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

On January 1, 2015, the five-year agreement was finalized for rent that will be charged at \$4,400 per month for fiscal years 2017, 2018, and 2019. The operator will also pay the District a flat rate concession fees of \$450 per month for 2017, 2018, and 2019 excluding sales tax. The operator also will have a \$5,000 non-performance deposit with the District. The operator is to provide annual financial statements based on the facility use agreement.

**NOTE 8 DEFINED CONTRIBUTION PENSION PLAN**

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

The District pays 100% of the contribution, based on eight percent of the employee's wage. Participant accounts are credited with the employer contributions. Investment earnings and losses as well as administrative expenses are also charged to participant accounts. Allocations are based on participant's earnings and losses of chosen investments or account balances. The benefit to which a participant is entitled is the benefit that can be provided from the vested portion of the participant's account. The employee becomes vested in the employer contribution after two years from date of hire. The employer contribution stays with the pool if the employee leaves before vesting. The District contributed \$47,554 during the 2016/17 fiscal year towards the qualifying employee's plan.

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

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

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

**NOTE 9 REVENUE LIMITATIONS IMPOSED BY CALIFORNIA PROPOSITION 218**

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

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

these taxes and assessments are subject to voter initiative and may be rescinded in the future years by the voters.

**NOTE 10 FUND BALANCES - GOVERNMENTAL FUNDS**

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

	General Fund	Developer In-Lieu Fees	Park Development Fees
Restricted for Developer Deposits	\$ -	\$ 13,364	\$ 865,878
Assigned for Next Years Budget	-	-	-
Unassigned	834,378	-	-
Total Fund Balance	\$ 834,378	\$ 13,364	\$ 865,878

**NOTE 11 CONTINGENT LIABILITIES**

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

The District is unaware of any pending litigation or other contingencies which would have a material effect on the financial condition or liquidity of the District. In the normal course of business, the District is a subject to various lawsuits. In the opinion of the General Counsel to the District, payment of claims by the District for amounts not covered by insurance, in the aggregate, are not expected to have a material adverse effect on their financial position.

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

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 1,175,824	\$ 1,175,824	\$ 1,260,785	\$ 84,961
Intergovernmental Revenues	143,603	143,603	85,510	(58,093)
Charges for Current Services	294,150	294,150	189,928	(104,222)
Use of Money and Property	36,400	36,400	155,804	119,404
Other Revenues	117,500	117,500	43,857	(73,643)
Total Revenues	<u>1,767,477</u>	<u>1,767,477</u>	<u>1,735,884</u>	<u>(31,593)</u>
<b>EXPENDITURES</b>				
Salary and Benefits	1,179,890	1,179,890	1,161,608	(18,282)
Services and Supplies	612,143	612,143	534,037	(78,106)
Capital Outlay	-	-	237,217	237,217
Total Expenditures	<u>1,792,033</u>	<u>1,792,033</u>	<u>1,932,862</u>	<u>140,829</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES</b>				
	(24,556)	(24,556)	(196,978)	(172,422)
<b>OTHER FINANCING SOURCES</b>				
Transfer In	-	-	220,000	220,000
<b>NET CHANGE IN FUND BALANCES</b>				
	<u>\$ (24,556)</u>	<u>\$ (24,556)</u>	23,022	<u>\$ 47,578</u>
Fund Balance - July 1, 2017			<u>811,356</u>	
<b>FUND BALANCE - JUNE 30, 2018</b>			<u><u>\$ 834,378</u></u>	

See accompanying Notes to Required Supplementary Information.

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT  
NOTES TO 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 budget for the general fund is adopted on the modified accrual basis of accounting. The budget for the general fund is the only legally adopted budget since the District does not adopt budgets for the Developer In-Lieu and Park Development Fees Funds.

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.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the North Highlands Recreation and Park District (District) as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 21, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly we do not express an opinion on the effectiveness of the District's internal control.

*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. *A significant deficiency* is a deficiency, or a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of the audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Roseville, California  
December 21, 2018

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2018**

None noted.

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT  
SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2018**

**Finding 2017-1:**

**Develop a Year-end Closing Schedule**

Condition

During the audit, we noted that the District had not adjusted its fixed asset and compensated absences account balances to reflect current year activity, including capital asset acquisitions, depreciation expense, and adjustments to year-end vacation balances.

Recommendation

We recommend that the District develop a year-end closing schedule to ensure all account balances, including fixed assets and compensated absences, are analyzed and updated at year end to ensure its accounting records are complete and accurate prior to the year-end audit. We further recommend the District work closely with its external auditors to develop effective templates for maintaining balances of capital assets and compensated absences each period.

Status:

Implemented.