

**Internal Services**  
**Department of Finance**  
**Auditor-Controller Division**

Ben Lamera,  
Assistant Auditor-Controller



**County of Sacramento**

Bradley J. Hudson,  
County Executive

David Villanueva,  
Chief Deputy County Executive

Julie Valverde,  
Director of Finance

June 14, 2012

Advisory Board of Directors  
Carmichael Recreation and Park District  
5850 Grant Avenue  
Carmichael, CA 95608

We have audited the financial statements of the Carmichael Recreation and Park District (District), as of June 30, 2006, 2007, 2008, 2009, and 2010, and have issued our report thereon dated June 14, 2012. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under California Government Code and U.S. Generally Accepted Auditing Standards

In accordance with California Government Code section 26909 (a) (1), *“The county auditor shall either make or contract with a certified public accountant or public accountant to make an annual audit of the accounts and records of every special district within the county for which an audit by a certified public accountant or public accountant is not otherwise provided. In each case, the minimum requirements of the audit shall be prescribed by the Controller and shall conform to generally accepted auditing standard.”*

As stated in our engagement letter dated February 7, 2011, we performed this audit for the District pursuant to the above Government Code. 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 (GAAP). Our audit of the financial statements does not relieve you or management of your responsibilities.

As stated in the engagement letters, if, for any reason, we are unable to complete the audit or are unable to form an opinion, we may decline to express an opinion or to issue a report as a result of this engagement. Due to inadequacies in the District’s capital asset records, it was not possible to extend our auditing procedures sufficiently to enable us to form opinions regarding the amounts at which capital assets and accumulated depreciation are recorded in the financial statements. Therefore, we do not provide opinions about the District’s capital assets and accumulated depreciation presented in the financial statements.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

#### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated February 7, 2011.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies and practices. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2005-06, 2006-07, 2007-08, 2008-09, and 2009-10.

As described in our report dated June 14, 2012, the District has material weaknesses and several significant deficiencies related to its accounting practices as summarized below.

- The District did not maintain adequate capital asset records and accounting practices.
- The District did not implement Governmental Accounting Standards Board (GASB) Statement No. 45 "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pension*"
- Others: We noted issues concerning compensated absence liability, payroll accrual, security deposits for rental activities, and audit and year-end adjustments posted to the general ledger.

*Difficulties Encountered in Performing the Audit*

We encountered significant difficulties in performing and completing our audit as followed.

- We were the District's auditor for previous fiscal years 2002-03, 2003-04, and 2004-05. During the previous audit, we reported ten deficiencies and non-compliance findings to the District. We also provided recommendations for the District to remedy these deficiencies and non-compliances that were reported in the previous audit report. Management agreed with our findings and recommendations at that time. Since fiscal year 2005-06, management indicated it has developed and implemented certain policies and procedures to remedy the deficiencies and non-compliance issues that were reported in the previous audit. Before we started this current audit, we expected all of the previous reported findings had been resolved. However, during the course of current audit, we noted that management has not fully implemented or not implemented many prior year recommendations so that seven prior year deficiencies and non-compliance issues continued to occur. Therefore, we incurred significant time to perform additional audit procedures related to the repeated prior audit findings.
- As mentioned in our report dated June 14, 2012, the District has many significant deficiencies in accounting processes, internal control, compliance, and risk management. We performed additional procedures to review the status of these deficiencies.
- As mentioned in page four of this letter, during the audit, we identified numerous misstatements in financial statements. Because of these misstatements, we performed additional procedures which included preparing proposed adjusting journal entries and restatements of the financial statements. These misstatements and the required journal entries increased our audit time and costs.
- We experienced significant delays in receiving information from management to complete the audit. On July 29, 2011, we requested management to provide management's discussion and analysis (MD&A) information for us to complete the audit which is required under accounting reporting standards. However, we did not receive the MD&A information until January 13, 2012. This delay postponed the completion of the District's audit. In addition, the delay in receiving information increased our audit time. When the information was not provided in a timely manner, we had to stop our procedures and wait for the information. Later, when we received the information, we needed time

to review the procedures again including the procedures that have been performed. Therefore, additional audit time was incurred.

- After management signed the management representative letter, management informed us that the District would no longer respond to any further audit questions for the purpose of limiting our costs. This limitation caused unnecessary difficulties for us to complete the audit which also increased the audit time.

#### *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. During the audit, we identified numerous misstatements. As a result, we proposed a total of 54 adjustments to the District's governmental activities and a total of 53 adjustments to the District's general fund. We have provided lists of proposed adjusting journal entries for these 107 (54 + 53) adjustments to management. Because management agreed with these adjustments, we included these adjustments in the District's financial statements. We can provide a list of these adjustments upon request.

In addition, we identified misstatements in total amount of \$2.2 million of the District's capital assets balance as of June 30, 2005. We restated the District's capital assets and net asset balances by \$2.2 million as of July 1, 2005, as described in Note 11 of our report dated June 14, 2012.

#### *Disagreement with Management*

For the purposes 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 significant to the financial statements or the auditor's report. We have several disagreements with management as summarized below.

- Management does not agree with several findings and recommendations identified in our report dated June 14, 2012. Management's responses to the audit findings are included in the *Findings and Recommendations* section of our report dated June 14, 2012. We did not audit the responses and did not express an opinion on them.
- Management does not agree with the time and costs incurred during this audit. Management believes that the audit time and costs are excessive and have questions about the length of time and number of audit staff involved in the



audit. However, we believe the time and costs incurred for the audit are reasonable. We incurred more than double the time we initially estimated. The main reasons for the costs increase are material weakness and significant deficiencies of the District's accounting practices described in page two of this letter, the difficulties we encountered described in the page three of this letter, and additional audit findings reported in our report dated June 14, 2012. In addition, although preparing MD&A is the District's responsibility, we prepared a significant portion of the District's MD&A. In accordance with California Government Code section 26909 (a) (3), "*Any costs incurred by the county auditor, including contracts with, or employment of, certified public accountants or public accountants, in making an audit of every special district pursuant to this section shall be borne by the special district and shall be a charge against any unencumbered funds of the district available for the purpose.*" Accordingly, as stated in our engagement letter dated February 7, 2011, if significant additional time is necessary, you will be invoiced at our current rate.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 14, 2012.

#### *Management Consultations 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 District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Advisory Board of Directors  
Carmichael Recreation and Park District  
June 14, 2012  
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This information is intended solely for the use of the Advisory Board of Directors, Sacramento County Board of Supervisors, those who are charged with governance, and the District's management and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

JULIE VALVERDE  
DIRECTOR OF FINANCE

A handwritten signature in black ink, appearing to read 'Alan A. Matré', is written over the printed name of the Chief of Audits.

By: Alan A. Matré, C.P.A.  
Chief of Audits



**COUNTY OF SACRAMENTO**  
**DEPARTMENT OF FINANCE**  
**AUDITOR - CONTROLLER**

**CARMICHAEL RECREATION AND PARK DISTRICT**

**Audited Financial Statements and Other Reports**  
**As of and for the Years Ended June 30, 2006, 2007, 2008, 2009, and 2010**

**CARMICHAEL RECREATION AND PARK DISTRICT**  
Audited Financial Statements and Other Reports  
As of and for the Years Ended June 30, 2006, 2007, 2008, 2009, and 2010

**Audit Staff:**

Alan A. Matré	Chief of Audits
Hong Lun (Andy) Yu	Audit Manager
Coye Carter	Senior Auditor
Tae-Young Weiler	Senior Auditor

**CARMICHAEL RECREATION AND PARK DISTRICT**  
Audited Financial Statements and Other Report  
As of and for the Years Ended June 30, 2006, 2007, 2008, 2009, and 2010

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**CARMICHAEL RECREATION AND PARK DISTRICT**  
Audited Financial Statements and Other Report  
As of and for the Years Ended June 30, 2006, 2007, 2008, 2009, and 2010

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Internal Services

Department of Finance

Auditor-Controller Division

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Assistant Auditor-Controller

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Director of Finance

June 14, 2012

Advisory Board of Directors  
Carmichael Recreation and Park District  
5850 Grant Avenue  
Carmichael, CA 95608

### AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities and general fund of the Carmichael Recreation and Park District (District), as of and for the years then ended June 30, 2006, 2007, 2008, 2009, and 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Due to inadequacies in the District's fixed asset records, it was not possible to extend our auditing procedures sufficiently to enable us to form opinions regarding the amounts at which capital assets and accumulated depreciation are recorded in the government-wide Statement of Net Assets at June 30, 2006, 2007, 2008, 2009, and 2010 and the amounts of depreciation expenses for the years then ended.

In connection with the audit contained herein, there are certain disclosures that are necessary pursuant to paragraphs 3.22 through 3.24 of *Government Auditing Standards*.

As required by various statutes within the California Government Code, County Auditor-Controllers or Directors of Finance are mandated to perform certain accounting, auditing, and financial reporting functions. These activities, in themselves, necessarily impair *Government Auditing Standards* independence standards. Specifically, “auditors should not audit their own work or provide non-audit services in situations where the amounts or services involved are significant/material to the subject matter of the audit.”

Although the Director of Finance is statutorily obligated to maintain the accounts of departments, districts or funds that are contained within the County Treasury, we believe that the following safeguard and division of responsibility exist. The staff that has the responsibility to perform audits within the Auditor-Controller Division has no other responsibility of the accounts and records being audited including the approval or posting of financial transactions that would therefore enable the reader of this report to rely on the information contained herein.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had an accurate capital asset list been maintained and had we been able to extend our auditing procedures regarding the amounts at which capital assets and accumulated depreciation are recorded, and except for the disclosure for paragraphs 3.22 through 3.24 of *Government Auditing Standards* as noted above, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and general fund of the District as of June 30, 2006, 2007, 2008, 2009, and 2010, and the respective changes in financial positions for the years then ended are in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 14, 2012, on our consideration of the District’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 4 through 21 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, 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 management’s discussion and analysis 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.



Our audit was made for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying financial information listed as supplementary information in the table of contents is presented for purposes of additional financial analysis and is not a required part of the basic financial statements of the District. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Sincerely,

JULIE VALVERDE  
DIRECTOR OF FINANCE

A handwritten signature in black ink, appearing to read 'Alan A. Matré', written in a cursive style.

By: Alan A. Matré, C.P.A.  
Chief of Audits

**CARMICHAEL RECREATION AND PARK DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(REQUIRED SUPPLEMENTARY INFORMATION)**  
FOR THE FISCAL YEARS ENDED JUNE 30, 2006, 2007, 2008, 2009, and 2010

This section of the annual financial statements of the Carmichael Recreation and Park District (District) presents a discussion and analysis of the District's financial performance during the years ended June 30, 2006, 2007, 2008, 2009, and 2010. Please read it in conjunction with the District's basic financial statements following this section.

**FINANCIAL HIGHLIGHTS**

For Fiscal Year 2005-06:

The assets of this District exceeded liabilities at the close of the fiscal year 2005-06 by \$9,024,006 (net assets). Of this amount, \$780,750 was restricted for land acquisition and/or land/facility development for park and recreation purposes, and \$601,062 was unrestricted and could be used to meet ongoing obligations to citizens and creditors.

In comparison with the prior year, revenues increased by \$2,645,105 largely due to an adjustment, an increase in land value due to the land transfer of the La Sierra Community Center (LSCC) from the County of Sacramento and revenue received from a settlement agreement involving the Palm Avenue site. The property tax growth was 9.01%. Intergovernmental revenue increased by \$2,563,663 or 16,200.08% due to the land value (LSCC transfer) and due to revenue accrual from the Parkland Dedication Trust Account to cover project costs incurred during the fiscal year. Income from building rentals and interest were up by 5.54% and recreation services were down by 30.07%.

Expenses increased by \$651,246, or 25.75%. The District has experienced increased operational costs in the following areas: staffing, restoration of several full time maintenance positions, a rise in retirement, group health insurance and workers compensation rates; services and supplies, liability insurance, boiler repairs, heating, ventilation, and air-conditioning (HVAC) replacement and repairs and temporary employment services (bookkeeper and maintenance positions), and small improvement projects. The District made various improvements, as follows: Carmichael Park - Bandshell improvements final phase completed, Clubhouse improvements; LSCC - asphalt/parking improvements, Villareal & Johnson Gym restoration, 700 Wing Restrooms, and the John Smith Community Hall; Cardinal Oaks booster pump and connection to the District's computerized irrigation system.

As of June 30, 2006, the District's governmental funds reported a fund balance of \$1,505,023, an increase of \$442,619 in comparison to the prior year. This was attributable to growth in the Parkland Dedication Fee balance, carry-over of revenue over expenses for the year and additional transfers to the reserve account.

**CARMICHAEL RECREATION AND PARK DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(REQUIRED SUPPLEMENTARY INFORMATION)**  
FOR THE FISCAL YEARS ENDED JUNE 30, 2006, 2007, 2008, 2009, and 2010

For Fiscal Year 2006-07:

The assets of this District exceeded liabilities at the close of the fiscal year 2006-07 by \$9,990,356 (net assets). Of this amount, \$967,828 was restricted for land acquisition and/or land/facility development for park and recreation purposes, and \$1,067,244 is unrestricted and could be used to meet ongoing obligations to citizens and creditors.

In comparison with the prior year, revenues decreased by \$525,460 due to the sale of a portion of the Palm Avenue site north of the now Patriots Park and the transfer of the LSCC building. The property tax growth was 15.77%. Intergovernmental revenues decreased by 64.39% due to recognition of the transfer of the LSCC land value in the prior year while recognizing the LSCC building in the current year. Income from building rentals and interest were up by 6.14% and recreation services were up by 33.33%. Miscellaneous income increased by \$687,833 or 151.80% due to aforementioned sale of a portion of the Palm Avenue site.

Expenses increased by \$1,321,670, or 41.55%. The District experienced increased operational costs in the following areas: staffing, the mid-year addition of a full time administrative analyst, reclassification of several part-time staff from seasonal to regular positions, along with a rise in associated costs and increases for retirement and group health insurance; services and supplies, full premium with no dividend received for liability insurance, printing costs for public outreach during the District-wide Master Plan process, Schweitzer Grove Nature Area tree maintenance for fire hazard mitigation, accounting fees for three year audit, consulting fees for the District-wide Master Plan and small improvement projects. The District made various improvements, as follows: Carmichael Park-Clubhouse renovation and alarm system upgrades at the district office and storage facility, new drinking fountain installation, tennis court lighting renovation, demolition of outdoor restroom and planning/start of new restroom installation; Jensen Garden - new fence and paved entrance to parking; LSCC - alarm system upgrades including fire alarm planning, Gibbons Annex Kitchen installation (700 Wing), Gym new ceiling, gutters and downspouts, Kids Hang-Out planning and start of construction, new roofs, and the John Smith Hall restroom renovation, installation of new point of connection/backflow protection for water service to LSCC, asphalt improvements, district-wide installation of wood chips for playgrounds and plant beds; Bird Track park improvements including ball curb and walkways, and drinking fountains; Jensen Garden new fencing and paved entrance to parking; Palm Avenue site (Patriots Park) planning.

As of June 30, 2007, the District's governmental funds reported a fund balance of \$2,167,706, an increase of \$662,683 in comparison to the prior year. This was attributable to a growth Parkland Dedication Trust Fees and carry-over of revenue over expenses for the year.

**CARMICHAEL RECREATION AND PARK DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(REQUIRED SUPPLEMENTARY INFORMATION)**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2006, 2007, 2008, 2009, and 2010**

For Fiscal Year 2007-08:

The assets of this District exceeded liabilities at the close of the fiscal year 2007-08 by \$9,711,860 (net assets). Of this amount, \$829,695 was restricted for land acquisition and/or land/facility development for park and recreation purposes, and \$867,241 was unrestricted and could be used to meet ongoing obligations to citizens and creditors.

In comparison with the prior year, revenues decreased by \$1,363,472 due to the funds recorded in the previous year for the sales of a portion of the Palm Avenue site. Intergovernmental revenues decreased \$799,927 or 87.05% due to the recording of the LSCC facility donation/transfer in the previous year. Income from building rental and interest increased by 3.00%; recreation services income up by 26.23%; and miscellaneous income decreased by 71.06% due to aforementioned Palm Avenue land sale in the previous year.

Expenses decreased by \$118,626, or 2.63%. The District experienced decreased costs in the following areas: in employee benefits, decreases in workers compensation premium due to receipt of a dividend which offset the current year cost and a reduction in the unemployment rate; in services and supplies, the District received a dividend as offset to the cost of the liability insurance premium, reduction of costs for electricity and gas due to the energy retrofit project, reduction of the use of temporary staffing. While expenditures decreased in the aggregate there were increases in other accounts, such as costs for water which were overstated due to prepayment of the June billing, and payment of legal fees, and commencement of debt service on a ten year loan for an energy retrofit project. The District made various improvements, as follows: Carmichael Park-Clubhouse 1 & 2 renovation, outdoor restroom installation, picnic shelter improvements and a new roof for the Maintenance Shop; LSCC - sign entrance lighting and landscape improvements, energy retro-fit project funded through a lease purchase agreement and involved the decommission of the boiler system and replacement with energy efficient HVAC systems and replacement of all the lighting systems at the LCSS, Kids Hang-Out engineering services and start of construction renovation, HVAC installation in the Conference/Staff Room, asbestos abatement, fire alarm installation, Snack Bar construction in the Johnson Gym, Skate Park - new equipment installation, and Patriots Park master plan development and construction start.

As of June 30, 2008, the District's governmental funds reported a fund balance of \$1,810,351, a decrease of \$357,355 in comparison to the prior year. This was attributable to transfers from the Parkland Dedication Trust Fees to reimburse costs associated with several projects and a reduction of the carry-over of revenue over expenses for the year due to commencement of the Patriots Park (Palm Avenue site) development.

**CARMICHAEL RECREATION AND PARK DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(REQUIRED SUPPLEMENTARY INFORMATION)**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2006, 2007, 2008, 2009, and 2010**

For Fiscal Year 2008-09:

The assets of this District exceeded liabilities at the close of the fiscal year 2008-09 by \$10,238,216 (net assets). Of this amount, \$252,174 was restricted for land acquisition and/or land/facility development for park and recreation purposes, and \$567,917 was unrestricted and could be used to meet ongoing obligations to citizens and creditors.

In comparison with the prior year, revenues increased by \$468,198. Marginal growth of 2.15% in property taxes was attributed to increase in assessed values for current land and improvements, supplemental taxes for new construction and/or land and/or home sales, and the District's share of the proceeds from the sale of the delinquency roll (teeter purchase). Intergovernmental revenues increased by 287.34% due to transfers and revenue accrual from the Parkland Dedication Trust Account to reimburse costs for projects funded by the fees, First 5 Grant award for the tot lot playground and butterfly garden at Patriots Park, and reimbursement from the County Capital Construction Fund based on the LSCC transfer agreement for projects completed by the District. Building rental income and interest decreased by 7.31%; recreation services income increased by 5.76%; and miscellaneous income increased by 39.90% mainly donations received for the following projects: Aquatics Center, O'Donnell Heritage Park, and 4<sup>th</sup> of July.

Expenses decreased by \$336,654, or 7.68%. The District experienced decreased costs in the following areas: in services and supplies, the District continued to realize a reduction of costs for electricity and gas due to the energy retrofit project completed in fiscal year 2007-08, water costs were overstated in the previous year reducing the current year expense, legal fees had been paid in the previous year with no additional fees in the current year and there was a reduction of professional service costs because consultation fees for District-wide Master Plan were paid in the previous year. These decreases were offset by minor increases of services and supplies in the aggregate and capital outlay such as costs incurred for temporary staffing services, new computer software and hardware to support program and facility registration with online access, a Nexus Study on park impact fees and appraisals for various undeveloped park sites. The District made various improvements, as follows: Carmichael Park - District Office and Clubhouse renovation and landscape improvements, Frontage Improvement involving new electrical service and reader board installation, aquatic study rendering for a potential future aquatic center, completion of outdoor restroom; LSCC-Kids Hang Out construction, Asbestos Abatement; and Master Plans, appraisals, topo and tree surveys for Capra, Jan, O'Donnell Heritage, Sutter-Hollister park sites and Patriots Park (Palm Avenue site) development.

As of June 30, 2009, the District governmental funds reported a fund balance of \$932,240, a decrease of \$878,111 in comparison to the prior year. This was attributable to transfers from the Parkland Dedication Trust Fees to reimburse costs associated with several projects and a reduction of the carry-over of revenue over expenses for the year due to Patriots Park (Palm Avenue site) development.

**CARMICHAEL RECREATION AND PARK DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(REQUIRED SUPPLEMENTARY INFORMATION)**  
FOR THE FISCAL YEARS ENDED JUNE 30, 2006, 2007, 2008, 2009, and 2010

For Fiscal Year 2009-10:

The assets of this District exceeded liabilities at the close of the fiscal year 2009-10 by \$9,988,355 (net assets). Of this amount, \$305,942 was restricted for land acquisition and/or land/facility development for park and recreation purposes, and \$264,935 was unrestricted and could be used to meet ongoing obligations to citizens and creditors.

In comparison with the prior year, revenues decreased by \$1,004,657 or 21.97%. The property tax revenue decreased 5.45% due to reductions in assessed valuation of land and improvements of property in the tax area. Intergovernmental revenues decreased by 33.03% due to a reduction of grant funding for projects. Income from building and interest decreased by 34.58% due to the loss of a key tenant leaseholder; recreation services income decreased by 14.28%; and miscellaneous income decreased by 54.44%.

Expenses decreased by \$228,440, or 5.64%. The District experienced decreased costs in the following areas, some in response to the economic conditions: staffing, a combination of salary reductions, furloughs, and for some reclassification to regular part-time or seasonal status and minor reductions in force; in services and supplies, reductions occurred in the area of liability insurance as the District received a dividend to offset the premium, the District continued to realize additional reductions in the cost for electricity and gas due to the energy retrofit project completed in fiscal year 2007-08 and use reduction due to mild climate and the loss the key tenant leaseholder, no temporary staffing was used, reduction of park ranger and private security services. These decreases were offset by minor increases of services and supplies for professional services in payment of real estate commissions and consulting services for the Nexus Study, benefit assessment survey and analysis. The District made various improvements, such as, LSCC, 200 Wing renovation; Patriots Park development completion, Capra and Jan park site environmental review; O'Donnell Heritage Park development.

As of June 30, 2010, the District's governmental funds reported a fund balance of \$704,259, a decrease of \$227,981 in comparison to the prior year. This was attributable to transfers from the Parkland Dedication Trust Fees to reimburse costs associated with several projects, and a reduction of the carry-over of revenue over expenses for the year due to operation losses and O'Donnell Heritage Park development.

## **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 two components: the government-wide and fund financial statements and notes to the financial statements.

**CARMICHAEL RECREATION AND PARK DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(REQUIRED SUPPLEMENTARY INFORMATION)**  
FOR THE FISCAL YEARS ENDED JUNE 30, 2006, 2007, 2008, 2009, and 2010

***Government-wide and Fund Financial Statements*** are described as follow:

The *Statements of Net Assets and Governmental Fund Balance Sheet* present information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The Statements also present information on the District's fund balances.

The *Statements of Activities and Governmental Fund Revenues, Expenses, and Changes in Fund Balances* present information showing how net assets and fund balances changed during the fiscal years. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (i.e., uncollected service charges and earned but unused vacation leave).

The *Statements of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual - General Fund* provide the information on the original and final budget amounts and variances between final budget and actual results.

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

## **FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of the District's financial position. Over the audit period the net assets of the District have grown even in light of recent financial challenges - parks have been developed and facilities renovated.

Overall, the District for a time started to experience a recovery of its property tax base and increases in program revenue generation while holding operational cost increases to the minimum possible to achieve objectives. In fiscal year 2009-10, the District faced numerous economic challenges with the loss of a key tenant leaseholder and reductions in the assessed value of land and improvements in the tax area.

**CARMICHAEL RECREATION AND PARK DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(REQUIRED SUPPLEMENTARY INFORMATION)**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2006, 2007, 2008, 2009, and 2010**

Table 1

Condensed Statements of Net Assets

For the fiscal years ended June 30, 2005, 2006, 2007, 2008, 2009, and 2010

	<u>2005-06</u>	<u>2004-05</u>	<u>%Change</u>
Current and other assets	\$ 1,689,823	1,276,454	32.38
Capital assets	<u>7,642,194</u>	<u>7,482,146</u>	2.14
Total assets	9,332,017	8,758,600	6.55
Current and other liabilities	184,800	214,050	-13.67
Long-term liabilities	<u>123,211</u>	<u>120,024</u>	2.66
Total liabilities	308,011	334,074	-7.80
Net assets:			
Invested in capital assets, net of related debt	7,642,194	7,454,085	2.52
Restricted	780,750	470,881	65.81
Unrestricted	<u>601,062</u>	<u>499,560</u>	20.32
Total net assets	<u>\$ 9,024,006</u>	<u>8,424,526</u>	7.12

	<u>2006-07</u>	<u>2005-06</u>	<u>%Change</u>
Current and other assets	\$ 2,377,911	1,689,823	40.72
Capital asset	<u>8,702,096</u>	<u>7,642,194</u>	13.87
Total asset	11,080,007	9,332,017	18.73
Current and other liabilities	210,205	184,800	13.75
Long-term liabilities	<u>879,446</u>	<u>123,211</u>	613.77
Total liabilities	1,089,651	308,011	253.77
Net assets:			
Invested in capital assets, net of related debt	7,955,284	7,642,194	4.10
Restricted	967,828	780,750	23.96
Unrestricted	<u>1,067,244</u>	<u>601,062</u>	77.56
Total net assets	<u>\$ 9,990,356</u>	<u>9,024,006</u>	10.71



**CARMICHAEL RECREATION AND PARK DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(REQUIRED SUPPLEMENTARY INFORMATION)**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2006, 2007, 2008, 2009, and 2010**

	<u>2007-08</u>	<u>2006-07</u>	<u>%Change</u>
Current and other assets	\$ 2,021,154	2,377,911	-15.00
Capital assets	<u>8,701,536</u>	<u>8,702,096</u>	-0.01
Total assets	10,722,690	11,080,007	-3.22
Current and other liabilities	210,803	210,205	0.28
Long-term liabilities	<u>800,027</u>	<u>879,446</u>	-9.03
Total liabilities	1,010,830	1,089,651	-7.23
Net assets:			
Invested in capital assets, net of related debt	8,014,924	7,955,284	0.75
Restricted	829,695	967,828	-14.27
Unrestricted	<u>867,241</u>	<u>1,067,244</u>	-18.74
Total net assets	<u>\$ 9,711,860</u>	<u>9,990,356</u>	-2.79

	<u>2008-09</u>	<u>2007-08</u>	<u>%Change</u>
Current and other assets	\$ 1,179,217	2,021,154	-41.66
Capital assets	<u>10,041,705</u>	<u>8,701,536</u>	15.40
Total assets	11,220,922	10,722,690	4.65
Current and other liabilities	246,977	210,803	17.16
Long-term liabilities	<u>735,729</u>	<u>800,027</u>	-8.04
Total liabilities	982,706	1,010,830	-2.78
Net assets:			
Invested in capital assets, net of related debt	9,418,125	8,014,924	17.51
Restricted	252,174	829,695	-69.61
Unrestricted	<u>567,917</u>	<u>867,241</u>	-34.51
Total net assets	<u>\$10,238,216</u>	<u>9,711,860</u>	5.42

**CARMICHAEL RECREATION AND PARK DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(REQUIRED SUPPLEMENTARY INFORMATION)**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2006, 2007, 2008, 2009, and 2010**

	<u>2009-10</u>	<u>2008-09</u>	<u>%Change</u>
Current and other assets	\$ 921,908	1,179,217	-21.82
Capital assets	<u>9,975,061</u>	<u>10,041,705</u>	-0.66
Total assets	10,896,969	11,220,922	-2.89
Current and other liabilities	217,649	246,977	-11.87
Long-term liabilities	<u>690,965</u>	<u>735,729</u>	-6.08
Total liabilities	908,614	982,706	-7.54
Net assets:			
Invested in capital assets, net of related debt	9,417,478	9,418,125	-0.01
Restricted	305,942	252,174	21.32
Unrestricted	<u>264,935</u>	<u>567,917</u>	-53.34
Total net assets	<u>\$ 9,988,355</u>	<u>10,238,216</u>	-2.44

The largest portion of the District's net assets reflects its investment in capital assets (land, facilities, structures and improvements, and equipment). Another portion of the District's net assets is restricted for land acquisition or development/improvement. The remaining portion of the District's net assets may be used to meet the District's ongoing obligations to customers and creditors.

**CARMICHAEL RECREATION AND PARK DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(REQUIRED SUPPLEMENTARY INFORMATION)**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2006, 2007, 2008, 2009, and 2010**

Table 2

Condensed Statements of Activities

For the fiscal years ended June 30, 2005, 2006, 2007, 2008, 2009, and 2010

	<u>2005-06</u>	<u>2004-05</u>	<u>%Change</u>
Revenues:			
Taxes	\$ 1,369,516	1,256,369	9.01
Intergovernmental	2,579,488	15,825	16,200.08
Charges for services	492,171	703,846	-30.07
Use of money & property	1,099,975	1,042,200	5.54
Miscellaneous	<u>453,113</u>	<u>330,918</u>	36.93
Total Revenues	5,994,263	3,349,158	78.98
Expenses:			
Current:			
Recreation and culture	3,179,733	2,524,949	25.93
Debt service:			
Interest	<u>1,050</u>	<u>4,588</u>	-77.11
Total Expenses:	<u>3,180,783</u>	<u>2,529,537</u>	25.75
Net changes	<u>\$ 2,813,480</u>	<u>819,621</u>	243.27
	<u>2006-07</u>	<u>2005-06</u>	<u>%Change</u>
Revenues:			
Taxes	\$ 1,585,421	1,369,516	15.77
Intergovernmental	918,673	2,579,488	-64.39
Charges for services	656,213	492,171	33.33
Use of money & property	1,167,550	1,099,975	6.14
Miscellaneous	<u>1,140,946</u>	<u>453,113</u>	151.80
Total Revenues	5,468,803	5,994,263	-8.77
Expenses:			
Current: Recreation and culture	4,502,453	3,179,733	41.60
Debt service:			
Interest	<u>0</u>	<u>1,050</u>	-100.00
Total Expenses:	<u>4,502,453</u>	<u>3,180,783</u>	41.55
Net changes	<u>\$ 966,350</u>	<u>2,813,480</u>	-65.65

**CARMICHAEL RECREATION AND PARK DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(REQUIRED SUPPLEMENTARY INFORMATION)**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2006, 2007, 2008, 2009, and 2010**

	<u>2007-08</u>	<u>2006-07</u>	<u>%Change</u>
Revenues:			
Taxes	\$ 1,625,296	1,585,421	2.52
Intergovernmental	118,946	918,673	-87.05
Charges for services	828,319	656,213	26.23
Use of money & property	1,202,615	1,167,550	3.00
Miscellaneous	<u>330,155</u>	<u>1,140,946</u>	-71.06
Total Revenues	4,105,331	5,468,803	-24.93
Expenses:			
Current: Recreation and culture	4,349,792	4,502,453	-3.39
Debt service:			
Interest	<u>34,035</u>	<u>0</u>	100.00
Total Expenses:	<u>4,383,827</u>	<u>4,502,453</u>	-2.63
Net changes	<u>\$ (278,496)</u>	<u>966,350</u>	-128.82

	<u>2008-09</u>	<u>2007-08</u>	<u>%Change</u>
Revenues:			
Taxes	\$ 1,660,198	1,625,296	2.15
Intergovernmental	460,720	118,946	287.34
Charges for services	876,069	828,319	5.76
Use of money & property	1,114,644	1,202,615	-7.31
Miscellaneous	<u>461,898</u>	<u>330,155</u>	39.90
Total Revenues	4,573,529	4,105,331	11.40
Expenses:			
Current: Recreation and culture	4,015,970	4,349,792	-7.67
Debt service:			
Interest	<u>31,203</u>	<u>34,035</u>	-8.32
Total Expenses:	<u>4,047,173</u>	<u>4,383,827</u>	-7.68
Net changes	<u>\$ 526,356</u>	<u>(278,496)</u>	289.00

**CARMICHAEL RECREATION AND PARK DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(REQUIRED SUPPLEMENTARY INFORMATION)**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2006, 2007, 2008, 2009, and 2010**

	<u>2009-10</u>	<u>2008-09</u>	<u>%Change</u>
Revenues:			
Taxes	\$ 1,569,700	1,660,198	-5.45
Intergovernmental	308,533	460,720	-33.03
Charges for services	750,999	876,069	-14.28
Use of money & property	729,179	1,114,644	-34.58
Miscellaneous	<u>210,461</u>	<u>461,898</u>	-54.44
Total Revenues	3,568,872	4,573,529	-21.97
Expenses:			
Current: Recreation and culture	3,790,495	4,015,970	-5.61
Debt service:			
Interest	<u>28,238</u>	<u>31,203</u>	-9.50
Total Expenses:	<u>3,818,733</u>	<u>4,047,173</u>	-5.64
Net changes	<u>\$ (249,861)</u>	<u>526,356</u>	-147.47

**FINANCIAL ANALYSIS OF THE FUND STATEMENTS**

The District's fund statements provide information on inflows and outflows and balances of spendable resources. The District uses only one fund, general fund, a governmental fund type, to account for all financial resources.

**GENERAL FUND FINANCIAL AND BUDGETARY HIGHLIGHTS**

The General Fund accounts for the primary operations of the District. The District's initial budget is adopted by July 1.

Table 3  
 Summary of Fund Budget to Actual  
 For Fiscal Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Total Revenues	\$ 3,696,602	3,696,602	3,590,579
Total Expenditures	<u>4,244,260</u>	<u>4,244,260</u>	<u>3,147,960</u>
Net Change	<u>\$ (547,658)</u>	<u>(547,658)</u>	<u>442,619</u>

**CARMICHAEL RECREATION AND PARK DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(REQUIRED SUPPLEMENTARY INFORMATION)  
FOR THE FISCAL YEARS ENDED JUNE 30, 2006, 2007, 2008, 2009, and 2010**

**Budgetary Highlights for 2005-06:**

We were able to maintain and to provide recreation programs and parks with the available resources. We experienced increased income growth in property tax, interest, building rentals and recreation programming accounts.

With the termination of the mowing contract, the District restored several full time maintenance positions and purchased an additional mower and tractor which improved our service levels. Previously, the District had contracted mowing services for over twenty years. Other staffing changes occurred. After nearly thirty years of service, the District Administrator retired. In the Spring of 2006, a new District Administrator was hired under contract as interim and later as regular for a longer term.

We made various improvements to Carmichael Park, LSCC, and Cardinal Oaks Park.

Table 4  
Summary of Fund Budget to Actual  
For Fiscal Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Total Revenues	\$ 4,085,800	4,085,800	4,635,973
Total Expenditures	4,867,311	4,874,811	3,973,290
Other financing sources	<u>2,000</u>	<u>2,000</u>	
Net Change	<u>\$ (779,511)</u>	<u>(787,011)</u>	<u>662,683</u>

**Budgetary Highlights for 2006-07:**

We were able to maintain and to provide recreation programs and parks with the available resources. We experienced increased income growth in property taxes, interest, building rentals, recreation programming, and the miscellaneous accounts. We completed the sale of surplus property, a portion of the Palm Avenue site, with proceeds to fund the development of the remaining acreage into a neighborhood park.

We made some organizational changes, filling the vacant Park Services Manager position and added the position of a full time Administrative Analyst to assist with research and special projects and reclassified several part time positions from seasonal to regular part-time. We mitigated a fire hazard at the Schweitzer Grove Nature Area with a major tree maintenance and removal project using maintenance staff and volunteer help from several tree service companies. We improved security at District park sites, including updates to systems at both Carmichael Park and the LCSS. We commenced development of a new District-wide Master Plan, involving extensive community outreach and input through survey, workshops, and hearings.

**CARMICHAEL RECREATION AND PARK DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(REQUIRED SUPPLEMENTARY INFORMATION)**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2006, 2007, 2008, 2009, and 2010**

We made various improvements to Bird Track Park, Carmichael Park, Jensen Gardens, LSCC, most significantly new fencing and paved entrance to the Jensen Gardens, at LSCC - restoration of the heat detection fire alarm system, renovation of the restrooms near the John Smith Community Hall, new kitchen for the Gibbons 700 Room, and new ceiling, gutters and downspouts for one of the gyms, planning and start of the renovation of the locker rooms area to become the Kids Corner aka Kids Hangout, and commenced planning for development of Patriots Park.

Table 5  
 Summary of Fund Budget to Actual  
 For Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Total Revenues	\$ 4,747,963	4,747,963	4,105,331
Total Expenditures	<u>5,781,477</u>	<u>5,781,477</u>	<u>4,462,686</u>
Net Change	<u>\$ (1,033,514)</u>	<u>(1,033,514)</u>	<u>(357,355)</u>

**Budgetary Highlights for 2007-08:**

We were able to maintain and to provide recreation programs and parks with the available resources. We experienced increased income growth in property tax, building rentals and recreation programming accounts.

Staffing levels did not change while cost of benefits continued to rise. We experienced decreased utility costs due to the completion of an energy retrofit project. We completed the District-wide Master Plan and continued park master plan development for Patriots Park.

We made various improvements to Carmichael Park and the LSCC, most significantly the outdoor restroom installation in Carmichael Park, at LSCC - the completion of the energy retro-fit project funded through a lease purchase agreement, involving the decommission of the boiler system and replacement with energy efficient HVAC systems and replacement of all the lighting systems at the LSCC, Kids Corner aka Kids Hangout engineering and start of construction, Skate Park renovation and replacement of equipment, and new snack bar installation at one of the gyms.

**CARMICHAEL RECREATION AND PARK DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(REQUIRED SUPPLEMENTARY INFORMATION)**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2006, 2007, 2008, 2009, and 2010**

Table 6  
 Summary of Fund Budget to Actual  
 For Fiscal Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Total Revenues	\$ 4,725,658	4,725,658	4,290,458
Total Expenditures	4,901,189	5,767,160	5,168,569
Other Financing Sources	<u>1,118</u>	<u>1,118</u>	
Net Change	<u>\$ (174,413)</u>	<u>(1,040,384)</u>	<u>(878,111)</u>

Budgetary Highlights for 2008-09:

We were able to maintain and to provide recreation programs and parks with the available resources. We experienced increased income growth in property taxes, grant proceeds from the First 5 Sacramento Commission, reimbursement from the County of Sacramento's County Capital Construction Fund based on the LSCC transfer agreement, recreation programming and miscellaneous accounts.

We added a new full time position, a Payroll/Account Clerk, which involved a reclassification of a regular part time employee and some recreation division organizational changes, filling the vacant Recreation Services Manager position and the cost of benefits continued to rise. We continued to benefit from the energy retro-fit project, realizing utility and boiler maintenance cost savings. We purchased new computer software and hardware to support program and facility registration with on-line access, and joined other districts to contract for a Nexus Study on park impact fees.

We made various improvements to Carmichael Park, LSCC, and development of Patriots Park. Most significantly, opened Patriots Park, completed Phase I of the Kids Corner aka Kids Hang-Out project at the LSCC, and began the master plan process for Capra, Jan, O'Donnell Heritage, and Sutter-Hollister park sites.

Table 7  
 Summary of Fund Budget to Actual  
 For Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Total Revenues	\$ 3,655,344	3,655,344	3,513,124
Total Expenditures	<u>4,401,176</u>	<u>4,401,176</u>	<u>3,741,105</u>
Net Change	<u>\$ (745,832)</u>	<u>(745,832)</u>	<u>(227,981)</u>



**CARMICHAEL RECREATION AND PARK DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(REQUIRED SUPPLEMENTARY INFORMATION)**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2006, 2007, 2008, 2009, and 2010**

Budgetary Highlights for 2009-10:

We were able to maintain and provide recreation programs and parks with the available resources. We experienced decreased income in property taxes due to a reduction in assessed values of land and improvements, reduced available grant funding for projects, loss of a key tenant leaseholder and reduced recreation program and miscellaneous accounts.

In response to the reduced income, we adjusted our operations budget. In the staffing area, we reduced salaries, implemented furloughs, re-classified some regular part-time to seasonal positions, and made minor reductions in force. In services and supplies, we saved in any feasible area, benefiting from the retro-fit energy project and mild weather, and reduced park ranger and private security services. We contracted with a real estate firm to assist in filling the vacancies at the LSCC; contracted with a consulting firm to explore the opportunities for a benefit assessment through survey work and continued to pursue the Nexus Study for park impact fees.

We made various improvements to LCSS, began development of O'Donnell Heritage Park, and continued the planning process for Capra and Jan Park sites. The O'Donnell Heritage Park development was made possible through the cooperation of the neighborhood volunteer assistance and donations, operational funds and in-lieu fees, and a grant through the First 5 Sacramento Commission for the playground.

**CAPITAL ASSETS**

Table 8  
 Condensed Comparative Statement of Capital Assets (Net of Depreciation)  
 For Fiscal Years Ended June 30, 2005, 2006, 2007, 2008, 2009, and 2010

	*(Restated)					
	2005	2006	2007	2008	2009	2010
Land	\$ 2,241,689	4,645,373	4,621,519	4,621,519	4,621,519	4,621,519
Construction in progress	203,484	286,802	462,619	899,293	2,731,442	3,118,936
Buildings and improvements	2,643,111	2,502,211	3,351,330	2,973,754	2,558,288	2,172,774
Equipment	179,862	207,808	266,628	206,970	130,456	61,832
Totals	<u>\$ 5,268,146</u>	<u>7,642,194</u>	<u>8,702,096</u>	<u>8,701,536</u>	<u>10,041,705</u>	<u>9,975,061</u>

\*The capital assets balance as of June 30, 2005 has been restated due to contributed assets and depreciation not previously recognized by the District. See Note 11 to the basic financial statements at page 59.

**CARMICHAEL RECREATION AND PARK DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(REQUIRED SUPPLEMENTARY INFORMATION)  
FOR THE FISCAL YEARS ENDED JUNE 30, 2006, 2007, 2008, 2009, and 2010**

**Long-term Debt**

By the end of the 2009-10 fiscal year, the District had \$690,965 in long-term debt outstanding.

Table 9  
Condensed Comparative Statement of Long-term Debt  
For Fiscal Years Ended June 30, 2005, 2006, 2007, 2008, 2009, and 2010

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Compensated absences	\$ 91,963	123,211	132,634	113,415	112,149	133,382
Note payable	21,664					
Lease-purchases payable	<u>6,397</u>		<u>746,812</u>	<u>686,612</u>	<u>623,580</u>	<u>557,583</u>
Totals	<u>\$ 120,024</u>	<u>123,211</u>	<u>879,446</u>	<u>800,027</u>	<u>735,729</u>	<u>690,965</u>

As of June 30, 2010, long-term debt obligations are for accrued vacation and sick leave. Lease payable is for HVAC and lighting upgrades at LCSS.

**FACTORS BEARING ON THE DISTRICT'S FUTURE/ECONOMIC STATUS**

The District's primary funding sources for ongoing operations are property tax revenues, building rental income, and recreation services income.

The State's economic condition indicates a likely decline in the District's revenues, along with related reductions. The future predictions require management to plan carefully and prudently to provide the resources to meet District needs over the next several years. However, the District's current economic outlook is encouraging with a new long-term key tenant leaseholder and the stabilization of the decline of assessed valuation of property in the tax area per the Sacramento County Assessor's secured roll district valuation report.

The District continues to work in partnership with other recreation & park districts, schools, community organizations and service groups, business, and residents to address the mission to satisfy the recreational needs of the Community by providing a wide range of facilities and opportunities to enrich the quality of life.

**CARMICHAEL RECREATION AND PARK DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(REQUIRED SUPPLEMENTARY INFORMATION)**  
FOR THE FISCAL YEARS ENDED JUNE 30, 2006, 2007, 2008, 2009, and 2010

**ADDITIONAL FINANCIAL INFORMATION**

This financial report is designed to provide the District's customers 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 Carmichael Recreation & Park District, Administrative Services Manager, at 5750 Grant Avenue, Carmichael, CA 95608.

CARMICHAEL RECREATION AND PARK DISTRICT  
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	General Fund	Adjustments	Statement of Net Assets
<b>Assets:</b>			
Cash and investments	\$ 672,420		672,420
Receivables, net of allowance for uncollectibles	236,653		236,653
Deposit with others	780,750		780,750
<b>Capital assets:</b>			
Land and other nondepreciable assets		4,932,175	4,932,175
Facilities and equipment, net of depreciation		2,710,019	2,710,019
<b>Total assets</b>	<b>\$ 1,689,823</b>	<b>7,642,194</b>	<b>9,332,017</b>
<b>Liabilities and Fund balances</b>			
<b>Liabilities:</b>			
Accounts Payable and accrued expenses	\$ 117,909		117,909
Deposit from others	66,891		66,891
<b>Long term liabilities:</b>			
Due within one year		82,154	82,154
Due after one year		41,057	41,057
<b>Total liabilities</b>	<b>184,800</b>	<b>123,211</b>	<b>308,011</b>
<b>Fund balances/Net assets:</b>			
<b>Fund balances:</b>			
<b>Reserved for:</b>			
Park development	780,750	(780,750)	
<b>Unreserved:</b>			
Designated for general uses	22,074	(22,074)	
Undesignated	702,199	(702,199)	
<b>Total fund balances</b>	<b>1,505,023</b>	<b>(1,505,023)</b>	
<b>Total liabilities and fund balances</b>	<b>\$ 1,689,823</b>		
<b>Net assets:</b>			
Invested in capital assets, net of related debt		7,642,194	7,642,194
Restricted for park development		780,750	780,750
Unrestricted		601,062	601,062
<b>Total net assets</b>		<b>\$ 9,024,006</b>	<b>9,024,006</b>

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

CARMICHAEL RECREATION AND PARK DISTRICT  
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Revenues:</b>			
Taxes	\$ 1,369,516		1,369,516
Intergovernmental	171,317	2,408,171	2,579,488
Charges for services	492,171		492,171
Use of money and property	1,099,975		1,099,975
Miscellaneous	457,600	(4,487)	453,113
<b>Total revenues</b>	<u>3,590,579</u>	<u>2,403,684</u>	<u>5,994,263</u>
<b>Expenditures/Expenses:</b>			
<b>Current:</b>			
Recreation an culture	2,895,692	284,041	3,179,733
Capital outlay	223,157	(223,157)	
<b>Debt service:</b>			
Principal	28,061	(28,061)	
Interest	1,050		1,050
<b>Total expenditures/expenses</b>	<u>3,147,960</u>	<u>32,823</u>	<u>3,180,783</u>
<b>Excess (deficiency) of revenues over (uner) expenditures/expenses</b>	<u>442,619</u>	<u>2,370,861</u>	<u>2,813,480</u>
<b>Beginning fund balances/net assets (Restated - Note 11)</b>	<u>1,062,404</u>	<u>5,148,122</u>	<u>6,210,526</u>
<b>Ending fund balances/net assets</b>	<u>\$ 1,505,023</u>	<u>7,518,983</u>	<u>9,024,006</u>

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

CARMICHAEL RECREATION AND PARK DISTRICT  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive / (Negative)
<b>Revenues:</b>				
Taxes	\$ 1,223,741	1,223,741	1,369,516	145,775
Intergovernmental	787,452	787,452	171,317	(616,135)
Charges for services	460,000	460,000	492,171	32,171
Use of money and property	1,075,409	1,075,409	1,099,975	24,566
Miscellaneous	150,000	150,000	457,600	307,600
<b>Total revenues</b>	<u>3,696,602</u>	<u>3,696,602</u>	<u>3,590,579</u>	<u>(106,023)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Recreation and culture	3,281,639	3,296,639	2,895,692	400,947
Capital outlay	936,266	921,266	223,157	698,109
<b>Debt service:</b>				
Principal	21,519	21,519	28,061	(6,542)
Interest	4,836	4,836	1,050	3,786
<b>Total expenditures</b>	<u>4,244,260</u>	<u>4,244,260</u>	<u>3,147,960</u>	<u>1,096,300</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>(547,658)</u>	<u>(547,658)</u>	<u>442,619</u>	<u>990,277</u>
Net changes in fund balances	<u>\$ (547,658)</u>	<u>(547,658)</u>	<u>442,619</u>	<u>990,277</u>

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

CARMICHAEL RECREATION AND PARK DISTRICT  
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	General Fund	Adjustments	Statement of Net Assets
<b>Assets:</b>			
Cash and investments	\$ 1,217,848		1,217,848
Receivables, net of allowance for uncollectibles	192,235		192,235
Deposit with others	967,828		967,828
<b>Capital assets:</b>			
Land and other nondepreciable assets		5,084,138	5,084,138
Facilities and equipment, net of depreciation		3,617,958	3,617,958
<b>Total assets</b>	<b>\$ 2,377,911</b>	<b>8,702,096</b>	<b>11,080,007</b>
 <b>Liabilities and Fund balances</b>			
<b>Liabilities:</b>			
Accounts Payable and accrued expenses	\$ 143,314		143,314
Deposit from others	66,891		66,891
<b>Long term liabilities:</b>			
Due within one year		192,834	192,834
Due after one year		686,612	686,612
<b>Total liabilities</b>	<b>210,205</b>	<b>879,446</b>	<b>1,089,651</b>
 <b>Fund balances/Net assets:</b>			
<b>Fund balances:</b>			
<b>Reserved for:</b>			
Park development	967,828	(967,828)	
<b>Unreserved:</b>			
Designated for general uses	18,722	(18,722)	
Undesignated	1,181,156	(1,181,156)	
<b>Total fund balances</b>	<b>2,167,706</b>	<b>(2,167,706)</b>	
<b>Total liabilities and fund balances</b>	<b>\$ 2,377,911</b>		
 <b>Net assets:</b>			
Invested in capital assets, net of related debt		7,955,284	7,955,284
Restricted for park development		967,828	967,828
Unrestricted		1,067,244	1,067,244
<b>Total net assets</b>		<b>\$ 9,990,356</b>	<b>9,990,356</b>

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

CARMICHAEL RECREATION AND PARK DISTRICT  
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Revenues:</b>			
Taxes	\$ 1,585,421		1,585,421
Intergovernmental	58,404	860,269	918,673
Charges for services	656,213		656,213
Use of money and property	1,167,550		1,167,550
Miscellaneous	1,168,385	(27,439)	1,140,946
Total revenues	<u>4,635,973</u>	<u>832,830</u>	<u>5,468,803</u>
<b>Expenditures/Expenses:</b>			
Current:			
Recreation an culture	3,434,297	1,068,156	4,502,453
Capital outlay	538,993	(538,993)	
Total expenditures/expenses	<u>3,973,290</u>	<u>529,163</u>	<u>4,502,453</u>
Excess (deficiency) of revenues over (uner) expenditures/expenses	<u>662,683</u>	<u>303,667</u>	<u>966,350</u>
Beginning fund balances/net assets	<u>1,505,023</u>	<u>7,518,983</u>	<u>9,024,006</u>
Ending fund balances/net assets	<u><u>\$ 2,167,706</u></u>	<u><u>7,822,650</u></u>	<u><u>9,990,356</u></u>

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



CARMICHAEL RECREATION AND PARK DISTRICT  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget- Positive / (Negative)</u>
<b>Revenues:</b>				
Taxes	\$ 1,504,500	1,504,500	1,585,421	80,921
Intergovernmental	861,800	861,800	58,404	(803,396)
Charges for services	620,000	620,000	656,213	36,213
Use of money and property	1,068,500	1,068,500	1,167,550	99,050
Miscellaneous	31,000	31,000	1,168,385	1,137,385
Total revenues	<u>4,085,800</u>	<u>4,085,800</u>	<u>4,635,973</u>	<u>550,173</u>
<b>Expenditures:</b>				
Current:				
Recreation and culture	3,919,011	3,926,511	3,434,297	492,214
Capital outlay	948,300	948,300	538,993	409,307
Total expenditures	<u>4,867,311</u>	<u>4,874,811</u>	<u>3,973,290</u>	<u>901,521</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>(781,511)</u>	<u>(789,011)</u>	<u>662,683</u>	<u>1,451,694</u>
Other financing sources (uses)				
Other financing sources	<u>2,000</u>	<u>2,000</u>	<u></u>	<u>(2,000)</u>
Net changes in fund balances	<u>\$ (779,511)</u>	<u>(787,011)</u>	<u>662,683</u>	<u>1,449,694</u>

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

CARMICHAEL RECREATION AND PARK DISTRICT  
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	General Fund	Adjustments	Statement of Net Assets
<b>Assets:</b>			
Cash and investments	\$ 963,434		963,434
Receivables, net of allowance for uncollectibles	228,025		228,025
Deposit with others	829,695		829,695
<b>Capital assets:</b>			
Land and other nondepreciable assets		5,520,812	5,520,812
Facilities and equipment, net of depreciation		3,180,724	3,180,724
<b>Total assets</b>	<b>\$ 2,021,154</b>	<b>8,701,536</b>	<b>10,722,690</b>
 <b>Liabilities and Fund balances</b>			
<b>Liabilities:</b>			
Accounts Payable and accrued expenses	\$ 143,912		143,912
Deposit from others	66,891		66,891
<b>Long term liabilities:</b>			
Due within one year		176,447	176,447
Due after one year		623,580	623,580
<b>Total liabilities</b>	<b>210,803</b>	<b>800,027</b>	<b>1,010,830</b>
 <b>Fund balances/Net assets:</b>			
<b>Fund balances:</b>			
<b>Reserved for:</b>			
Park development	829,695	(829,695)	
<b>Unreserved:</b>			
Designated for general uses	884,693	(884,693)	
Undesignated	95,963	(95,963)	
<b>Total fund balances</b>	<b>1,810,351</b>	<b>(1,810,351)</b>	
<b>Total liabilities and fund balances</b>	<b>\$ 2,021,154</b>		
 <b>Net assets:</b>			
Invested in capital assets, net of related debt		8,014,924	8,014,924
Restricted for park development		829,695	829,695
Unrestricted		867,241	867,241
<b>Total net assets</b>		<b>\$ 9,711,860</b>	<b>9,711,860</b>

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

CARMICHAEL RECREATION AND PARK DISTRICT  
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Revenues:</b>			
Taxes	\$ 1,625,296		1,625,296
Intergovernmental	118,946		118,946
Charges for services	828,319		828,319
Use of money and property	1,202,615		1,202,615
Miscellaneous	330,155		330,155
<b>Total revenues</b>	<u>4,105,331</u>		<u>4,105,331</u>
<b>Expenditures/Expenses:</b>			
<b>Current:</b>			
Recreation an culture	3,575,213	774,579	4,349,792
Capital outlay	793,238	(793,238)	
<b>Debt service:</b>			
Principal	60,200	(60,200)	
Interest	34,035		34,035
<b>Total expenditures/expenses</b>	<u>4,462,686</u>	<u>(78,859)</u>	<u>4,383,827</u>
<b>Excess (deficiency) of revenues over (uner) expenditures/expenses</b>	<u>(357,355)</u>	<u>78,859</u>	<u>(278,496)</u>
<b>Beginning fund balances/net assets</b>	<u>2,167,706</u>	<u>7,822,650</u>	<u>9,990,356</u>
<b>Ending fund balances/net assets</b>	<u>\$ 1,810,351</u>	<u>7,901,509</u>	<u>9,711,860</u>

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

CARMICHAEL RECREATION AND PARK DISTRICT  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive / (Negative)
<b>Revenues:</b>				
Taxes	\$ 1,634,260	1,634,260	1,625,296	(8,964)
Intergovernmental	1,063,260	1,063,260	118,946	(944,314)
Charges for services	760,054	760,054	828,319	68,265
Use of money and property	1,249,295	1,249,295	1,202,615	(46,680)
Miscellaneous	41,094	41,094	330,155	289,061
<b>Total revenues</b>	<u>4,747,963</u>	<u>4,747,963</u>	<u>4,105,331</u>	<u>(642,632)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Recreation and culture	3,999,316	3,974,566	3,575,213	399,353
Capital outlay	1,687,926	1,712,676	793,238	919,438
<b>Debt service:</b>				
Principal	60,200	60,200	60,200	
Interest	34,035	34,035	34,035	
<b>Total expenditures</b>	<u>5,781,477</u>	<u>5,781,477</u>	<u>4,462,686</u>	<u>1,318,791</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>(1,033,514)</u>	<u>(1,033,514)</u>	<u>(357,355)</u>	<u>676,159</u>
Net changes in fund balances	<u>\$ (1,033,514)</u>	<u>(1,033,514)</u>	<u>(357,355)</u>	<u>676,159</u>

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

CARMICHAEL RECREATION AND PARK DISTRICT  
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	General Fund	Adjustments	Statement of Net Assets
<b>Assets:</b>			
Cash and investments	\$ 563,840		563,840
Receivables, net of allowance for uncollectibles	363,203		363,203
Deposit with others	252,174		252,174
<b>Capital assets:</b>			
Land and other nondepreciable assets		7,352,961	7,352,961
Facilities and equipment, net of depreciation		2,688,744	2,688,744
<b>Total assets</b>	<b>\$ 1,179,217</b>	<b>10,041,705</b>	<b>11,220,922</b>
 <b>Liabilities and Fund balances</b>			
<b>Liabilities:</b>			
Accounts Payable and accrued expenses	\$ 180,086		180,086
Deposit from others	66,891		66,891
<b>Long term liabilities:</b>			
Due within one year		149,991	149,991
Due after one year		585,738	585,738
<b>Total liabilities</b>	<b>246,977</b>	<b>735,729</b>	<b>982,706</b>
 <b>Fund balances/Net assets:</b>			
<b>Fund balances:</b>			
<b>Reserved for:</b>			
Park development	252,174	(252,174)	
<b>Unreserved:</b>			
Designated for general uses	21,730	(21,730)	
Undesignated	658,336	(658,336)	
<b>Total fund balances</b>	<b>932,240</b>	<b>(932,240)</b>	
<b>Total liabilities and fund balances</b>	<b>\$ 1,179,217</b>		
 <b>Net assets:</b>			
Invested in capital assets, net of related debt		9,418,125	9,418,125
Restricted for park development		252,174	252,174
Unrestricted		567,917	567,917
<b>Total net assets</b>		<b>\$ 10,238,216</b>	<b>10,238,216</b>

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

CARMICHAEL RECREATION AND PARK DISTRICT  
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Revenues:</b>			
Taxes	\$ 1,660,198		1,660,198
Intergovernmental	460,720		460,720
Charges for services	876,069		876,069
Use of money and property	1,114,644		1,114,644
Miscellaneous	178,827	283,071	461,898
<b>Total revenues</b>	<u>4,290,458</u>	<u>283,071</u>	<u>4,573,529</u>
<b>Expenditures/Expenses:</b>			
<b>Current:</b>			
Recreation an culture	3,544,201	471,769	4,015,970
Capital outlay	1,530,133	(1,530,133)	
<b>Debt service:</b>			
Principal	63,032	(63,032)	
Interest	31,203		31,203
<b>Total expenditures/expenses</b>	<u>5,168,569</u>	<u>(1,121,396)</u>	<u>4,047,173</u>
<b>Excess (deficiency) of revenues over (uner) expenditures/expenses</b>	<u>(878,111)</u>	<u>1,404,467</u>	<u>526,356</u>
<b>Beginning fund balances/net assets</b>	<u>1,810,351</u>	<u>7,901,509</u>	<u>9,711,860</u>
<b>Ending fund balances/net assets</b>	<u>\$ 932,240</u>	<u>9,305,976</u>	<u>10,238,216</u>

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

CARMICHAEL RECREATION AND PARK DISTRICT  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive / (Negative)
<b>Revenues:</b>				
Taxes	\$ 1,659,945	1,659,945	1,660,198	253
Intergovernmental	1,071,302	1,071,302	460,720	(610,582)
Charges for services	825,000	825,000	876,069	51,069
Use of money and property	1,129,411	1,129,411	1,114,644	(14,767)
Miscellaneous	40,000	40,000	178,827	138,827
<b>Total revenues</b>	<u>4,725,658</u>	<u>4,725,658</u>	<u>4,290,458</u>	<u>(435,200)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Recreation and culture	4,154,679	4,104,679	3,544,201	560,478
Capital outlay	652,275	1,568,246	1,530,133	38,113
<b>Debt service:</b>				
Principal	63,032	63,032	63,032	
Interest	31,203	31,203	31,203	
<b>Total expenditures</b>	<u>4,901,189</u>	<u>5,767,160</u>	<u>5,168,569</u>	<u>598,591</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>(175,531)</u>	<u>(1,041,502)</u>	<u>(878,111)</u>	<u>163,391</u>
<b>Other financing sources (uses)</b>				
Other financing sources	<u>1,118</u>	<u>1,118</u>	<u></u>	<u>(1,118)</u>
<b>Net changes in fund balances</b>	<u>\$ (174,413)</u>	<u>(1,040,384)</u>	<u>(878,111)</u>	<u>162,273</u>

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

CARMICHAEL RECREATION AND PARK DISTRICT  
 STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General Fund	Adjustments	Statement of Net Assets
<b>Assets:</b>			
Cash and investments	\$ 213,494		213,494
Receivables, net of allowance for uncollectibles	402,472		402,472
Deposit with others	305,942		305,942
<b>Capital assets:</b>			
Land and other nondepreciable assets		7,740,455	7,740,455
Facilities and equipment, net of depreciation		2,234,606	2,234,606
<b>Total assets</b>	<b>\$ 921,908</b>	<b>9,975,061</b>	<b>10,896,969</b>
 <b>Liabilities and Fund balances</b>			
<b>Liabilities:</b>			
Accounts Payable and accrued expenses	\$ 187,047		187,047
Deposit from others	30,602		30,602
<b>Long term liabilities:</b>			
Due within one year		159,911	159,911
Due after one year		531,054	531,054
<b>Total liabilities</b>	<b>217,649</b>	<b>690,965</b>	<b>908,614</b>
 <b>Fund balances/Net assets:</b>			
<b>Fund balances:</b>			
<b>Reserved for:</b>			
Park development	305,942	(305,942)	
<b>Unreserved:</b>			
Designated for general uses	152,660	(152,660)	
Undesignated	245,657	(245,657)	
<b>Total fund balances</b>	<b>704,259</b>	<b>(704,259)</b>	
<b>Total liabilities and fund balances</b>	<b>\$ 921,908</b>		
 <b>Net assets:</b>			
Invested in capital assets, net of related debt		9,417,478	9,417,478
Restricted for park development		305,942	305,942
Unrestricted		264,935	264,935
<b>Total net assets</b>		<b>\$ 9,988,355</b>	<b>9,988,355</b>

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



CARMICHAEL RECREATION AND PARK DISTRICT  
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Revenues:</b>			
Taxes	\$ 1,569,700		1,569,700
Intergovernmental	308,533		308,533
Charges for services	750,999		750,999
Use of money and property	729,179		729,179
Miscellaneous	154,713	55,748	210,461
<b>Total revenues</b>	<u>3,513,124</u>	<u>55,748</u>	<u>3,568,872</u>
<b>Expenditures/Expenses:</b>			
<b>Current:</b>			
Recreation an culture	3,315,124	475,371	3,790,495
Capital outlay	331,746	(331,746)	
<b>Debt service:</b>			
Principal	65,997	(65,997)	
Interest	28,238		28,238
<b>Total expenditures/expenses</b>	<u>3,741,105</u>	<u>77,628</u>	<u>3,818,733</u>
<b>Excess (deficiency) of revenues over (uner) expenditures/expenses</b>	<u>(227,981)</u>	<u>(21,880)</u>	<u>(249,861)</u>
<b>Beginning fund balances/net assets</b>	<u>932,240</u>	<u>9,305,976</u>	<u>10,238,216</u>
<b>Ending fund balances/net assets</b>	<u><u>\$ 704,259</u></u>	<u><u>9,284,096</u></u>	<u><u>9,988,355</u></u>

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

CARMICHAEL RECREATION AND PARK DISTRICT  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive / (Negative)
<b>Revenues:</b>				
Taxes	\$ 1,653,211	1,653,211	1,569,700	(83,511)
Intergovernmental	315,075	315,075	308,533	(6,542)
Charges for services	875,000	875,000	750,999	(124,001)
Use of money and property	729,893	729,893	729,179	(714)
Miscellaneous	82,165	82,165	154,713	72,548
Total revenues	<u>3,655,344</u>	<u>3,655,344</u>	<u>3,513,124</u>	<u>(142,220)</u>
<b>Expenditures:</b>				
Current:				
Recreation and culture	3,818,441	3,818,441	3,315,124	503,317
Capital outlay	488,499	488,499	331,746	156,753
Debt service:				
Principal	63,032	63,032	65,997	(2,965)
Interest	31,204	31,204	28,238	2,966
	<u>4,401,176</u>	<u>4,401,176</u>	<u>3,741,105</u>	<u>660,071</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>(745,832)</u>	<u>(745,832)</u>	<u>(227,981)</u>	<u>517,851</u>
Net changes in fund balances	<u>\$ (745,832)</u>	<u>(745,832)</u>	<u>(227,981)</u>	<u>517,851</u>

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

**CARMICHAEL RECREATION AND PARK DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
FOR THE FISCAL YEARS ENDED JUNE 30, 2006, 2007, 2008, 2009, and 2010

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Carmichael Recreation and Park District (District) have been prepared in conformity with the U.S. Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Scope of Financial Reporting Entity

The District was organized on October 8, 1945, under Public Resources Code section 5780. The District is controlled by a five member Advisory Board of Directors (Advisory Board) appointed by the County of Sacramento Board of Supervisors (BOS). The District manages park land and provides recreation opportunities to approximately 50,000 residents within the District boundaries which include 13 park sites with a total of 178 acres, including six fully developed parks, a large community center located at the former La Sierra High School, a botanical garden, and a 17-acre nature area.

The District's reporting entity includes all financial activities under control of its Advisory Board. Control was determined on the basis of budget adoption and continuing oversight responsibilities.

The District is a component unit of the County of Sacramento (County). As such, it is included within the County's financial reporting entity as a special revenue fund.

Government-wide and Fund Financial Statements Presentation

*Government-wide Financial Statements*

The statement of net assets and statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government.

The statement of activities presents revenues and expenses of the District's governmental activities.

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

*Fund Financial Statements*

The fund financial statements provide information about the District's funds, which include only governmental funds. The District reports a *General Fund* that is used to account for all financial resources except those required or designated by the BOS or the Advisory Board to be accounted for in another fund.

The District has combined its government-wide financial statements, the statement of net assets and the statement of activities, with its fund financial statements, the balance sheet and the statement of revenues, expenditures, and changes in fund balances, into two statements, the statement of net assets

**CARMICHAEL RECREATION AND PARK DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2006, 2007, 2008, 2009, and 2010**

and governmental funds balance sheet and the statement of activities and governmental fund revenues, expenditures, and changes in fund balances, for simplicity.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers revenues to be available if they are collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues that are accrued include property taxes, interest income, and charges for current services. Revenues that are not accrued include permits and fines, forfeitures, and penalties, if applicable. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. General capital assets are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital assets are reported as other financing sources.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB.

Non-Current Governmental Assets/Liabilities

GASB Statement No. 34 eliminates the presentation of the General Fixed Asset and the General Long Term Debt account groups, but provides for these records to be maintained and incorporates the information into the statements of net assets.

Accounts and Records

The Sacramento County Department of Finance, Auditor-Controller Division, processes financial transactions initiated by the District. The District maintains copies of source documents. The Auditor-Controller provides related general ledger computer listings. Revenues are deposited with the Sacramento County Department of Finance, Treasury Division. In addition, District claims are paid and warrants are issued by the Auditor-Controller Division.

Budgetary Principles

As required by the laws of the State of California, the District prepares and legally adopts a final balanced operating budget on or before August 30 of each fiscal year. The BOS may, by resolution, extend on a permanent basis or for a limited period, the date from August 30 to October 2. Due to the

**CARMICHAEL RECREATION AND PARK DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2006, 2007, 2008, 2009, and 2010**

uncertainty of the 2007-08 State budget impacts, on September 3, 2008, the BOS approved, by resolution, to extend the date of final adoption of the District's final 2008-09 budget resolution until 60 days after the adoption of California state budget, which occurred on September 23, 2008. The final budgets for fiscal years 2005-06, 2006-07, 2007-08, 2008-09, and 2009-10 were adopted by the BOS on September 15, 2005, September 26, 2006, September 25, 2007, November 12, 2008, and October 2, 2009, respectively. Until the adoption of these final balanced budgets, operations were governed by the proposed budgets approved by the BOS. Public hearings are conducted on the proposed final budget to review all appropriations and the sources of financing. Because final budget must be balanced, any shortfall in revenues requires an equal reduction in financing requirement.

Operating budgets are adopted for the General Fund on the modified accrual basis of accounting except as explained below. Budgetary control and the legal level of control are at the object level which classifies expenditures by the types of expenditures, such as, salaries and benefits, services, and supplies, etc. The Statement of Revenues, Expenditures – Budget to Actual presents revenues at the source level and expenditures at the functional level.

It is not feasible to compare budget to actual data at the object level in this report. Therefore, this information is contained in a separate report prepared by the Sacramento County Department of Finance, Auditor-Controller, titled "Expenditures Status Report." Significant amendments, appropriation transfers between objects and transfers from contingencies must be approved by the BOS and the Advisory Board. Supplemental appropriations financed by unanticipated revenues also must be approved by both BOS and the Advisory Board.

During each fiscal year 2005-06, 2006-07, 2007-08, 2008-09, and 2009-10, the original adopted budgets were amended by approval of the BOS and the Advisory Board. The final budget data contained in the financial statements reflects the effect of all approved budget amendments. Appropriation Adjustments Requests (AAR's) between object level 2000, 3000, 4000, 5000, and 6000, or increases to object level 1000 are approved by the District Administrator. AAR's involving decreases to object level 1000, contingency, and/or reserve funds require BOS's approval.

The appropriation limits for the fiscal years 2005-06, 2006-07, 2007-08, 2008-09, and 2009-10 budget years were reviewed and determined to be calculated in accordance with Article XIII B of the California Constitution, except as noted in the *Findings and Recommendations Section* of this report.

Encumbrances, which are commitments related to the future purchase of goods or services, are recorded in the General Fund. For budgetary purposes, encumbrances outstanding at year-end are recorded as expenditures. For financial reporting purposes, encumbrances outstanding at year-end do not constitute expenditures or liabilities. Unencumbered appropriations lapse at year-end and encumbrances outstanding at that time are reported as reservations of fund balance for subsequent-year expenditures. The District has no encumbrances at the end of each fiscal year.

**CARMICHAEL RECREATION AND PARK DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2006, 2007, 2008, 2009, and 2010**

The District budget for governmental funds is prepared on the modified accrual basis of accounting, except that encumbrances represent expenditures on a budgetary basis. Encumbrances not liquidated in the current year are added to the subsequent-year budget for reporting and control purposes.

Cash and Cash Equivalents

For purposes of the statement of net assets/balance sheet, the District considers all short-term highly liquid investments, including restricted assets, amounts held with fiscal agent and amounts held in the County's investment pool, to be cash and cash equivalents. Amounts held with fiscal agent and investments held in the County's investment pool are available on demand to the District.

Cash and Investments

As described in Note 2, the District's cash and investments are held with the Sacramento County Department of Finance, Treasury, as part of the cash and investment pool with other County Funds or are held with a Fiscal Agent. In accordance with GASB Statement No. 31, investments are stated at fair value. However, the value of the pool shares in the County Treasury's investment pool that may be withdrawn is determined on an amortized cost basis, which is different from the fair value of the District's position in the pool. The County Treasury's investment pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by Section 27134 of the California Government Code.

Statutes authorize the County to invest in the following:

- a) Obligations of the County or any local agency and instrumentality in or of the State of California;
- b) Obligations of the U.S. Treasury, agencies and instrumentalities;
- c) Bankers' acceptances eligible for purchase by Federal Reserve System;
- d) Commercial paper with an A-1 rating by Moody's Investors Service or P-1 rating by Standard & Poor's Corporation;
- e) Repurchase agreements or reverse repurchase agreements;
- f) Medium-term notes with a five-year maximum maturity of corporations operating within the United States and rated in the top three rating categories by Moody's Investor Service or Standard & Poor's Corporation;
- g) Guaranteed investment contracts; and,
- h) Shares of beneficial interest issued by diversified management companies (money market funds) investing in securities and obligations as outlined in a) through g). Certain security rankings and/or organizational requirements apply to this type of investment.

**CARMICHAEL RECREATION AND PARK DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures* (Amendment of GASB No. 3), certain disclosure requirements, if applicable, for Deposits and Investment Risks are specified in the following areas:

- a) Interest Rate Risk
- b) Credit Risk
- c) Custodial Credit Risk
- d) Concentrations of Credit Risk
- e) Foreign Currency Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality and year-end and other disclosures.

Capital Assets

Capital assets, which include land, structures and improvements, machinery and equipment, are reported in the government-wide financial statements. Capital assets are defined as: equipment with initial individual cost of more than \$5,000 and an estimated useful life in excess of four years except for computer and peripheral equipment which have an estimated useful life of three years; buildings, structures, and improvements with costs more than \$25,000; computer or website software with costs more than \$100,000 and other intangible assets with costs more than \$25,000; and land regardless of cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital outlay is recorded as expenditures of the General Fund and as assets in the government-wide financial statements to the extent the District's capitalization threshold is met. Amortization of assets acquired under capital lease is included in depreciation and amortization. Structures and improvements, and equipment are depreciated using the straight-line method over the following estimated used lives:

<u>Assets</u>	<u>Years</u>
Structures and Improvements	25-50
Equipment	5-10

Compensated Absences

Regular, full-time District employees are granted vacation in varying amounts based upon length of service. Any accrued hours, not in excess of the maximum allowable, which are unused during the current period, are carried forward to following years. The General Fund records expenditures for compensated absences as they are taken by employees. Each year's budget includes a provision for the estimated expenditure for the current year. A year-end accrual is not made in the General Fund as the District does not believe any of the available year-end financial resources will be required to fund the year-end compensated absences liability. All vacation pay is accrued when incurred in the government-wide statements.

District employees are granted vacation in varying amounts based on classification and length of service. Maximum vacation hours eligible for carry forward to future years is limited to no more than

**CARMICHAEL RECREATION AND PARK DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2006, 2007, 2008, 2009, and 2010**

400 hours of accrual time at calendar year end. Additionally, certain employees are allowed compensated time-off (CTO) in lieu of overtime compensation and/or for working on holidays.

Sick leave is earned by regular, full-time employees. Any sick leave hours not used during the period are carried forward to future years, with no limit to the number of hours that can be accumulated. Any sick leave hours unused at the time of an employee's retirement are added to the actual period of service when computing retirement benefits. The District does not pay accumulated sick leave to employees who terminate prior to retirement. Accordingly, no provision for payment of sick leave has been included in the government-wide financial statements.

Property Taxes

The County of Sacramento is responsible for the collection and allocation of property taxes. The District recognizes property taxes when received from the County. The County elects to use the Alternative Method of Property Tax Apportionment. Under this method of property tax apportionment, the County purchases the delinquent secured taxes at June 30. This purchase is completed within two months after the end of the fiscal year.

NOTE 2 - CASH AND INVESTMENTS

The District maintains specific cash deposits and investments with the County and involuntarily participates in the external investment pool of the County. The District's share of the investment pool is separately accounted for and interest earned, net of related expenses, is apportioned quarterly and at the end of the fiscal year based upon the relationship of its daily cash balance to the total of the pooled account.

In each fiscal year, the District also maintains cash deposits in three separate accounts with Wells Fargo Bank: two basic business checking accounts used for petty cash transactions and credit card deposits, respectively, and a money market account used for cash and check deposits.

The following is a summary of the District's cash and investments as of June, 30:

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Cash in County Treasury	\$ 296,982	990,047	619,097	305,229	2,350
Cash in Bank - Money Market	372,588	223,953	340,790	240,543	180,939
Cash in Bank - Checking	2,350	3,348	3,047	17,568	29,705
Cash in Bank - Petty Cash	<u>500</u>	<u>500</u>	<u>500</u>	<u>500</u>	<u>500</u>
Total	<u>\$ 672,420</u>	<u>1,217,848</u>	<u>963,434</u>	<u>563,840</u>	<u>213,494</u>

The additional disclosures of Cash in County Treasury are included in the County's Annual Comprehensive Report (CAFR).

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



**CARMICHAEL RECREATION AND PARK DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2006, 2007, 2008, 2009, and 2010**

Cash balances in banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 from July 1, 2005 to October 2, 2008, and up to \$250,000 from October 3, 2008 to June 30, 2010, respectively. The District's combined cash balances in the Wells Fargo Bank accounts have exceeded the FDIC insured limits. Although the District has not experienced any losses in these accounts, it was exposed to custodial credit risks in amounts of \$235,821 (\$335,821 combined bank account balances - \$100,000 FDIC insured limit), \$885,027 (\$985,027 combined bank account balances - \$100,000 FDIC insured limit), and \$226,645 (\$326,645 combined bank account balances - \$100,000 FDIC insured limit) as of June 30, 2006, 2007, and 2008, respectively. Although the District's combined bank account daily balances as of June 30, 2009, and 2010 were under the FDIC insured limit, the District's balances have consistently exceeded the FDIC limits throughout the fiscal years ended June 30, 2006, 2007, 2008, 2009, and 2010.

**NOTE 3 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

For the years ended June 30, 2006, total fund balances of the District's governmental funds, \$1,505,023, differs from net assets of governmental activities, \$9,024,006, reported in the statement of net assets and governmental fund balance sheet by \$7,518,983.

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets are as follows:

When capital assets that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the District as a whole.

Cost of capital assets	\$ 11,801,445
Accumulated depreciation	(4,159,251)

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.

Compensated absences	(123,211)
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Total differences between the governmental fund balance sheet and the government-wide statement of net assets	\$ 7,518,983
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The net change in fund balances for governmental funds, \$442,619, differs from the change in net assets for governmental activities, \$2,813,480 reported in the statement of activities and governmental fund revenues, expenditures, and changes in fund balances by \$2,370,861.

**CARMICHAEL RECREATION AND PARK DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2006, 2007, 2008, 2009, and 2010**

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities are as follows:

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their useful lives as depreciation expenses. The differences between capital outlay expenditures and depreciation expenses for the year are:

Expenditures for capital outlay	\$ 223,157
Depreciation expenses	(252,793)

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

Note Payable	21,664
Lease-purchase payable	6,397

In governmental funds, gross proceeds from sales of lands are reported as revenues. In the statement of activities, the gross proceeds are recognized as reductions to the costs of the lands. The difference between the gross proceeds and the costs of the lands is gain or loss from the sales of the lands.

Reduction to the costs of the land sold	(4,487)
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In governmental funds, capital assets obtained as non-cash contributions are not reported because they do not affect current financial resources. In the government-wide financial statements these capital assets are reported as revenues and as increase to capital assets, at their fair market value on the date of non-cash contribution.

Capital assets obtained as non-cash contribution	2,408,171
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The change in compensated absences reported in the statement of activities does not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Total	\$ <u>2,370,861</u>
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**CARMICHAEL RECREATION AND PARK DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2006, 2007, 2008, 2009, and 2010**

For the years ended June 30, 2007, total fund balances of the District's governmental funds, \$2,167,706, differs from net assets of governmental activities, \$9,990,356, reported in the statement of net assets and governmental fund balance sheet by \$7,822,650.

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets are as follows:

When capital assets that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the District as a whole.

Cost of capital assets	\$ 13,618,735
Accumulated depreciation	(4,916,639)

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.

Compensated absences	(132,634)
Lease-purchases payable	<u>(746,812)</u>

Total differences between the governmental fund balance sheet and the government-wide statement of net assets	<u>\$ 7,822,650</u>
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The net change in fund balances for governmental funds, \$662,683, differs from the change in net assets for governmental activities, \$966,350 reported in the statement of activities and governmental fund revenues, expenditures, and changes in fund balances by \$303,667.

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities are as follows:

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their useful lives as depreciation expenses. The differences between capital outlay expenditures and depreciation expenses for the year are:

Expenditures for capital outlay	\$ 538,993
Depreciation expenses	(757,388)

**CARMICHAEL RECREATION AND PARK DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2006, 2007, 2008, 2009, and 2010**

In governmental funds, gross proceeds from sales of lands are reported as revenues. In the statement of activities, the gross proceeds are recognized as reductions to the costs of the lands. The difference between the gross proceeds and the costs of the lands is gain or loss from the sales of the lands.

Reduction to the costs of the land sold	(27,439)
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In governmental funds, capital assets are not recorded. In the statement of activities, reduction of capital assets is recorded as expenses.	(301,345)
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In governmental funds, capital assets obtained as non-cash contributions are not reported because they do not affect current financial resources. In the government-wide financial statements these capital assets are reported as revenues and as increase to capital assets, at their fair market value on the date of non-cash contribution.

Capital assets obtained as non-cash contribution	860,269
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The change in compensated absences reported in the statement of activities does not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>( 9,423)</u>
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Total	<u>\$ 303,667</u>
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For the years ended June 30, 2008, total fund balances of the District's governmental funds, \$1,810,351, differs from net assets of governmental activities, \$9,711,860, reported in the statement of net assets and governmental fund balance sheet by \$7,901,509.

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets are as follows:

When capital assets that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the District as a whole.

Cost of capital assets	\$ 14,091,167
Accumulated depreciation	(5,389,631)

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as

**CARMICHAEL RECREATION AND PARK DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.

Compensated absences	(113,415)
Lease-purchases payable	<u>(686,612)</u>

Total differences between the governmental fund balance sheet and the government-wide statement of net assets	<u>\$ 7,901,509</u>
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The net change in fund balances for governmental funds, (\$357,355), differs from the change in net assets for governmental activities, (\$278,496) reported in the statement of activities and governmental fund revenues, expenditures, and changes in fund balances by \$78,859.

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities are as follows:

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their useful lives as depreciation expenses. The differences between capital outlay expenditures and depreciation expenses for the year are:

Expenditures for capital outlay	\$ 793,238
Depreciation expenses	(472,992)

In governmental funds, capital assets are not recorded. In the statement of activities, reduction of capital assets is recorded as expenses.	(320,806)
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Repayment of long-term liability principal is reported as an expenditure in governmental funds and, thus, has the effect of reducing fund balance because current financial resources have been used. For the District as a whole, however, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities.

Principal payments for leased-purchase payable	60,200
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The change in compensated absences reported in the statement of activities does not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>19,219</u>
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Total	<u>\$ 78,859</u>
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**CARMICHAEL RECREATION AND PARK DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2006, 2007, 2008, 2009, and 2010**

For the years ended June 30, 2009, total fund balances of the District's governmental funds, \$932,240, differs from net assets of governmental activities, \$10,238,216, reported in the statement of net assets and governmental fund balance sheet by \$9,305,976.

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets are as follows:

When capital assets that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the District as a whole.

Cost of capital assets	\$ 15,904,371
Accumulated depreciation	(5,862,666)

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.

Compensated absences	(112,149)
Lease-purchases payable	<u>(623,580)</u>

Total differences between the governmental fund balance sheet and the government-wide statement of net assets	<u>\$ 9,305,976</u>
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The net change in fund balances for governmental funds, (\$878,111), differs from the change in net assets for governmental activities, \$526,356 reported in the statement of activities and governmental fund revenues, expenditures, and changes in fund balances by \$1,404,467.

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities are as follows:

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their useful lives as depreciation expenses. The differences between capital outlay expenditures and depreciation expenses for the year are:

Expenditures for capital outlay	\$ 1,530,133
Depreciation expenses	(473,035)

**CARMICHAEL RECREATION AND PARK DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2006, 2007, 2008, 2009, and 2010**

In governmental funds, capital assets are not recorded. In the statement of activities, addition of capital assets is recorded as revenues. 283,071

Repayment of long-term liability principal is reported as an expenditure in governmental funds and, thus, has the effect of reducing fund balance because current financial resources have been used. For the District as a whole, however, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities.

Principal payments for leased-purchase payable 63,032

The change in compensated absences reported in the statement of activities does not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 1,266

Total \$ 1,404,467

For the years ended June 30, 2010, total fund balances of the District's governmental funds, \$704,259, differs from net assets of governmental activities, \$9,988,355, reported in the statement of net assets and governmental fund balance sheet by \$9,284,096.

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets are as follows:

When capital assets that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the District as a whole.

Cost of capital assets \$ 16,291,865  
 Accumulated depreciation (6,316,804)

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.

Compensated absences (133,382)  
 Lease-purchases payable (557,583)

Total differences between the governmental fund balance sheet and the government-wide statement of net assets \$ 9,284,096

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The net change in fund balances for governmental funds, (\$227,981), differs from the change in net assets for governmental activities, (\$249,861) reported in the statement of activities and governmental fund revenues, expenditures, and changes in fund balances by (\$21,880).

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities are as follows:

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their useful lives as depreciation expenses. The differences between capital outlay expenditures and depreciation expenses for the year are:

Expenditures for capital outlay	\$ 331,746
Depreciation expenses	<u>(454,138)</u>

In governmental funds, capital assets are not recorded. In the statement of activities, addition of capital assets is recorded as revenues.	55,748
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Repayment of long-term liability principal is reported as an expenditure in governmental funds and, thus, has the effect of reducing fund balance because current financial resources have been used. For the District as a whole, however, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities.

Principal payments for leased-purchase payable	65,997
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The change in compensated absences reported in the statement of activities does not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>( 21,233)</u>
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Total	<u>\$ (21,880)</u>
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**CARMICHAEL RECREATION AND PARK DISTRICT**  
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**NOTE 4 - CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2006, is as follows:

	(Restated – Note 11) Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Capital assets, not being depreciated:				
Land	\$ 2,241,689	2,408,171	4,487	4,645,373
Construction in progress	<u>203,484</u>	<u>83,318</u>		<u>286,802</u>
Total capital assets, not being depreciated	<u>2,445,173</u>	<u>2,491,489</u>	<u>4,487</u>	<u>4,932,175</u>
Capital assets, being depreciated:				
Buildings and improvements	6,203,597	75,673		6,279,270
Equipment	<u>525,834</u>	<u>64,166</u>		<u>590,000</u>
Total capital assets, being depreciated	<u>6,729,431</u>	<u>139,839</u>		<u>6,869,270</u>
Capital assets, being depreciated:				
Buildings and improvements	3,560,486	216,573		3,777,059
Equipment	<u>345,972</u>	<u>36,220</u>		<u>382,192</u>
Total accumulated depreciation	<u>3,906,458</u>	<u>252,793</u>		<u>4,159,251</u>
Total capital assets, being depreciated, net	<u>2,822,973</u>	<u>(112,954)</u>		<u>2,710,019</u>
Total capital assets	<u>\$ 5,268,146</u>	<u>2,378,535</u>	<u>4,487</u>	<u>7,642,194</u>

Capital assets activity for the year ended June 30, 2007, is as follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Capital assets, not being depreciated:				
Land	\$ 4,645,373	3,585	27,439	4,621,519
Construction in progress	<u>286,802</u>	<u>175,897</u>	<u>80</u>	<u>462,619</u>
Total capital assets, not being depreciated	<u>4,932,175</u>	<u>179,482</u>	<u>27,519</u>	<u>5,084,138</u>
Capital assets, being depreciated:				
Buildings and improvements	6,279,270	1,852,429	291,183	7,840,516
Equipment	<u>590,000</u>	<u>114,163</u>	<u>10,082</u>	<u>694,081</u>
Total capital assets, being depreciated	<u>6,869,270</u>	<u>1,966,592</u>	<u>301,265</u>	<u>8,534,597</u>
Capital assets, being depreciated:				
Buildings and improvements	3,777,059	712,127		4,489,186
Equipment	<u>382,192</u>	<u>45,261</u>		<u>427,453</u>
Total accumulated depreciation	<u>4,159,251</u>	<u>757,388</u>		<u>4,916,639</u>
Total capital assets, being depreciated, net	<u>2,710,019</u>	<u>1,209,204</u>	<u>301,265</u>	<u>3,617,958</u>
Total capital assets	<u>\$ 7,642,194</u>	<u>1,388,686</u>	<u>328,784</u>	<u>8,702,096</u>

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Capital assets activity for the year ended June 30, 2008, is as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Capital assets, not being depreciated:				
Land	\$ 4,621,519			4,621,519
Construction in progress	462,619	455,619	18,945	899,293
Total capital assets, not being depreciated	<u>5,084,138</u>	<u>455,619</u>	<u>18,945</u>	<u>5,520,812</u>
Capital assets, being depreciated:				
Buildings and improvements	7,840,516	320,806	301,861	7,859,461
Equipment	694,081	16,813		710,894
Total capital assets, being depreciated	<u>8,534,597</u>	<u>337,619</u>	<u>301,861</u>	<u>8,570,355</u>
Capital assets, being depreciated:				
Buildings and improvements	4,489,186	396,521		4,885,707
Equipment	427,453	76,471		503,924
Total accumulated depreciation	<u>4,916,639</u>	<u>472,992</u>		<u>5,389,631</u>
Total capital assets, being depreciated, net	<u>3,617,958</u>	<u>(135,373)</u>	<u>301,861</u>	<u>3,180,724</u>
Total capital assets	<u>\$ 8,702,096</u>	<u>320,246</u>	<u>320,806</u>	<u>8,701,536</u>

Capital assets activity for the year ended June 30, 2009, is as follows:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Capital assets, not being depreciated:				
Land	\$ 4,621,519			4,621,519
Construction in progress	899,293	1,832,149		2,731,442
Total capital assets, not being depreciated	<u>5,520,812</u>	<u>1,832,149</u>		<u>7,352,961</u>
Capital assets, being depreciated:				
Buildings and improvements	7,859,461		18,945	7,840,516
Equipment	710,894			710,894
Total capital assets, being depreciated	<u>8,570,355</u>		<u>18,945</u>	<u>8,551,410</u>
Capital assets, being depreciated:				
Buildings and improvements	4,885,707	396,521		5,282,228
Equipment	503,924	76,514		580,438
Total accumulated depreciation	<u>5,389,631</u>	<u>473,035</u>		<u>5,862,666</u>
Total capital assets, being depreciated, net	<u>3,180,724</u>	<u>(473,035)</u>		<u>2,688,744</u>
Total capital assets	<u>\$ 8,701,536</u>	<u>1,359,114</u>	<u>18,945</u>	<u>10,041,705</u>

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Capital assets activity for the year ended June 30, 2010, is as follows:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Capital assets, not being depreciated:				
Land	\$ 4,621,519			4,621,519
Construction in progress	2,731,442	387,494		3,118,936
Total capital assets, not being depreciated	<u>7,352,961</u>	<u>387,494</u>		<u>7,740,455</u>
Capital assets, being depreciated:				
Buildings and improvements	7,840,516			7,840,516
Equipment	710,894			710,894
Total capital assets, being depreciated	<u>8,551,410</u>			<u>8,551,410</u>
Capital assets, being depreciated:				
Buildings and improvements	5,282,228	385,514		5,667,742
Equipment	580,438	68,624		649,062
Total accumulated depreciation	<u>5,862,666</u>	<u>454,138</u>		<u>6,316,804</u>
Total capital assets, being depreciated, net	<u>2,688,744</u>	<u>(454,138)</u>		<u>2,234,606</u>
Total capital assets	<u>\$ 10,041,705</u>	<u>(66,644)</u>		<u>9,975,061</u>

**NOTE 5 - RETIREMENT PLAN**

**A. Plan Description**

All District's regular full-time and part-time employees are eligible to participate in the Sacramento County Employees' Retirement System (SCERS). SCERS is a multiple-employer, cost-sharing public employee retirement system acting as a common investment and administrative agent for participating public entities within the County of Sacramento. SCERS issues a separate comprehensive annual financial report (CAFR). Copies of their CAFR may be obtained from the SCERS's Administrative Office - 980 9<sup>th</sup> Street, Suite 1800, Sacramento, CA 95814.

Under SCERS, benefits are established by statutes and provide for retirement, death and disability benefits based on the employee's years of services, age, and average final compensation. Employees vest after five years of service and may receive retirements at age 50. Upon reaching five years of service, participants have earned the right to receive a retirement benefit.

The District's employees participate in the SCERS under 2 categories:

- Miscellaneous Tier 1 - Includes all members who have a SCERS membership start - date prior to January 1, 1975.
- Miscellaneous Tier 3 - Include all members who have a SCERS membership start - date on or after June 27, 1993, and previous Miscellaneous Tier 2 members who elected to become members of this class.

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**B. Funding Policy**

Contributions to the plan are made pursuant to Section 31584 of the County Employees Retirement Law of 1937. SCERS's funding policy provides for periodic contributions at actuarially-determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate adequate assets to pay benefits when due. From 2005-06 to 2009-10, active members of the SCERS are required to contribute between 2.96% and 6.48% of their annual covered salary depending on the member's tier and entry age. The District is obligated by state law to make all required contributions to the plan, ranging from 13.02% to 47.84% of covered payroll. All contribution rates are reviewed and revised annually. The required contributions include current service cost and amortization of prior service cost over a 30-years closed amortization period with 23 years remaining at the end of the fiscal years. Employer contribution rates are determined using the entry age normal funding method based on a level percentage of payroll. SCERS also uses this actuarial method to amortize the unfunded liability, if applicable.

The following is a summary of the District's required contribution rates for the fiscal years ended June 30:

District's Contribution Rates	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Tier 1	23.78%	19.00%	20.87%	22.78%	22.27%	21.98%	22.08%
Tier 3	21.74%	16.78%	19.56%	22.56%	22.14%	22.42%	22.57%

The following is a summary of the active members and the District's required contribution amounts for the fiscal years ended June 30:

Required Contributions	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Members	\$ 34,148	29,863	36,523	39,441	48,487	52,465	51,149
District	172,546	124,160	150,634	194,984	232,809	250,804	242,779
Totals	<u>\$ 206,691</u>	<u>154,023</u>	<u>187,157</u>	<u>234,425</u>	<u>281,296</u>	<u>303,269</u>	<u>293,928</u>

All above required contributions have been made.

**NOTE 6 - OTHER POSTEMPLOYMENT BENEFIT (OPEB)**

The District provided medical and dental subsidy payments to eligible retirees. The BOS and the Advisory Board, at their own discretion, may amend or terminate, in the whole or in part, and set the amounts of subsidy payments available to eligible retirees on a year-to-year basis. Only employees who retired prior to June 1, 2007, and have 10 years of District service, or retired under any form of disability retirement, are eligible to receive the subsidy payments. On January 1, 2010, the District eliminated dental subsidy payments to retirees.

The subsidy payments are not a vested benefit of District employment or SCERS membership. The District paid for the medical and dental subsidy payment to retirees on a pay-as-you-go basis.

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The following is a summary of the District's medical and dental subsidy payments to eligible retirees for the fiscal years ended June 30:

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Medical subsidy	\$ 6,159	13,089	14,750	14,812	11,396
Dental subsidy	<u>1,750</u>	<u>3,325</u>	<u>3,300</u>	<u>3,300</u>	<u>1,375</u>
Totals	<u>\$ 7,909</u>	<u>16,414</u>	<u>18,050</u>	<u>18,112</u>	<u>12,771</u>

**NOTE 7 - LONG-TERM OBLIGATIONS**

The following is a summary of long-term liabilities transactions for the year ended June 30, 2006:

	<u>Beginning</u>		<u>Ending</u>	<u>Amounts</u>
	<u>Balances</u>	<u>Additions</u>	<u>Balances</u>	<u>Due Within</u>
		<u>Deletions</u>		<u>One Year</u>
Governmental activities:				
Compensated absences	\$ 91,963	114,044	82,796	123,211
Note payable	21,664		21,664	82,154
Lease-purchases payable	<u>6,397</u>		<u>6,397</u>	
Total governmental activities:				
Long-term obligations	<u>\$ 120,024</u>	<u>114,044</u>	<u>110,857</u>	<u>123,211</u>
				<u>82,154</u>

The following is a summary of long-term liabilities transactions for the year ended June 30, 2007:

	<u>Beginning</u>		<u>Ending</u>	<u>Amounts</u>
	<u>Balances</u>	<u>Additions</u>	<u>Balances</u>	<u>Due Within</u>
		<u>Deletions</u>		<u>One Year</u>
Governmental activities:				
Compensated absences	\$ 123,211	91,577	82,154	132,634
Lease-purchases payable		<u>746,812</u>		<u>746,812</u>
Total governmental activities:				
Long-term obligations	<u>\$ 123,211</u>	<u>838,389</u>	<u>82,154</u>	<u>879,446</u>
				<u>192,834</u>

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The following is a summary of long-term liabilities transactions for the year ended June 30, 2008:

	<u>Beginning</u> <u>Balances</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balances</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Governmental activities:					
Compensated absences	\$ 132,634	113,415	132,634	113,415	113,415
Lease-purchases payable	<u>746,812</u>		<u>60,200</u>	<u>686,612</u>	<u>63,032</u>
Total governmental activities:					
Long-term obligations	<u>\$ 879,446</u>	<u>113,415</u>	<u>192,834</u>	<u>800,027</u>	<u>176,447</u>

The following is a summary of long-term liabilities transactions for the year ended June 30, 2009:

	<u>Beginning</u> <u>Balances</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balances</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Governmental activities:					
Compensated absences	\$ 113,415	112,149	(113,415)	112,149	83,994
Lease-purchases payable	<u>686,612</u>		<u>(63,032)</u>	<u>623,580</u>	<u>65,997</u>
Total governmental activities:					
Long-term obligations	<u>\$ 800,027</u>	<u>112,149</u>	<u>(176,447)</u>	<u>735,729</u>	<u>149,991</u>

The following is a summary of long-term liabilities transactions for the year ended June 30, 2010:

	<u>Beginning</u> <u>Balances</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balances</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Governmental activities:					
Compensated absences	\$ 112,149	105,227	(83,994)	133,382	90,810
Lease-purchases payable	<u>623,580</u>		<u>(65,997)</u>	<u>557,583</u>	<u>69,101</u>
Total governmental activities:					
Long-term obligations	<u>\$ 735,729</u>	<u>105,227</u>	<u>(149,991)</u>	<u>690,965</u>	<u>159,911</u>

**NOTE 8 - LEASE-PURCHASE PAYABLE**

On April 17, 2007, the District entered into a lease-purchase agreement with Municipal Finance Corporation in amount of \$746,812 at a 4.65% annual interest rate for lighting, heating, ventilation, and air conditioning (HVAC) control upgrades at La Sierra Community Center and the District Office. Payments for this agreement are due in twenty consecutive semi-annual payments with final payment due on May 3, 2017.

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As of June 30, 2010, lease-purchase obligation maturities are as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 69,101	25,134	94,235
2012	72,352	21,883	94,235
2013	75,756	18,479	94,235
2014	79,319	14,916	94,235
2015	83,050	11,185	94,235
2016 to 2017	<u>178,005</u>	<u>10,465</u>	<u>188,470</u>
	<u>\$ 557,583</u>	<u>102,062</u>	<u>659,645</u>

**NOTE 9 - NET ASSETS/FUND BALANCES**

The government-wide financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

- *Invested in Capital Assets, Net of Related Debt* - This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Assets* - this category represents net assets of the District, restricted for specified project or purpose.
- *Unrestricted Net Assets* - This category represents net assets of the District, not restricted for any project or other purpose.

In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the Board and management and can be increased, reduced, or eliminated by similar actions.

Reservations of the ending fund balance indicate the portions of fund balance not appropriate for expenditure or amounts legally segregated for a specific future use.

As of June 30, 2006, 2007, 2008, 2009, and 2010, reservations of fund balance are described below:

- *Park Development* - to reflect the portion of fund balance that is reserved for capital projects meeting County Parkland Dedication Fee ordinance criteria.

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Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

As of June 30, 2006, 2007, 2008, 2009, and 2010, designations of fund balance are described below:

- *General uses* - to reflect management's intent to fund District operations and to improve cash reserves.

**NOTE 10 - RESERVE FOR DEVELOPER FEES**

The County of Sacramento maintains an agency fund on behalf of the District. The purpose of the fund is to account for monies collected from subdivisions and building permit fees for projects within the District and used for acquiring and developing park sites. The use of these fees is restricted by County Ordinance 22.40.030 as follows:

- The land, fees, or combination thereof are to be used only for the purposes of developing new and rehabilitating existing park or recreational facilities to serve the subdivision.

The County will release funds from this agency fund only upon approval of the District's Advisory Board of Directors.

The following is a summary of activity of this fund for the fiscal years ended June 30:

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Balances, beginning of year	\$ 456,307	780,750	967,828	829,695	252,174
Revenues:					
Subdivision and permit fees collected	322,828	142,945	300,566	70,265	50,970
Interest income	22,475	44,133	47,728	15,059	2,798
Use of the fund	<u>(20,860)</u>		<u>(486,727)</u>	<u>(662,845)</u>	
Balances, end of year	<u>\$ 780,750</u>	<u>967,828</u>	<u>829,695</u>	<u>252,174</u>	<u>305,942</u>

The District reports the fund balances of this fund in the statement of net assets and governmental fund balance sheets as deposits with others and reserved fund balance for park development.



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**NOTE 11 - RESTATEMENT OF BEGINNING CAPITAL ASSETS AND NET ASSETS**

The capital assets balance as of June 30, 2005, has been restated due to the fact that the District has recognized contributed capital assets and depreciation that were not previously recognized. Accordingly, net asset balance as of July 1, 2005, has been restated as follows:

	<u>Original</u>	<u>Adjustment</u>	<u>Restatement</u>
Capital Assets			
(Net of depreciation):			
Land	\$ 2,241,689		2,241,689
Construction in progress		203,484	203,484
Buildings and improvements	4,538,813	(1,895,702)	2,643,111
Equipment	<u>701,644</u>	<u>(521,782)</u>	<u>179,862</u>
Total	<u>\$ 7,482,146</u>	<u>(2,214,000)</u>	<u>5,268,146</u>
Net Assets:			
Invested in capital assets, net of related debt	\$ 7,454,085	(2,214,000)	5,240,085
Restricted	470,881		470,881
Unrestricted	<u>499,560</u>		<u>499,560</u>
Total	<u>\$ 8,424,526</u>	<u>(2,214,000)</u>	<u>6,210,526</u>

**NOTE 12 - ESTIMATES**

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 13 - COMMITMENTS AND CONTINGENCIES**

**A. State and Other Government Allowances, Awards and Grants**

The District has received state and other government funds for specific purposes that are subject to review and audit by the grantor agencies. If the review or audit discloses exceptions, the District may incur a liability to grantor agencies.

**B. Joint Venture**

The District participates in a joint venture under a joint power agreement (JPA) with the California Association for Park and Recreation Indemnity (CAPRI). The relationship between the District and CAPRI is such that CAPRI is not a component unit of the District for financial reporting purposes. The District makes annual contributions to CAPRI in return for receiving liability and property insurance coverage from CAPRI. The District shares surpluses and deficits proportionately to its participation in CAPRI. Copies of CAPRI's financials statement may be obtained from CAPRI's office at 6341 Auburn Boulevard, Suite A, Citrus Heights, CA 95621.

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NOTE 14 - SUBSEQUENT EVENT

A. Sacramento County Fixed Asset Acquisition Fund

In November 2011, the District established two lines of credit from the Sacramento County Fixed Asset Acquisition Fund. The first line of credit allows the District to borrow up to \$550,000 with a 7% annual interest rate for the La Sierra Community Center Facility improvement project. The District has borrowed a total \$ 289,520.73 and plans to pay off the line of credit from the proceeds of loan agreement with Mission Oak Recreation and Park District (MORPD) described below. The second line of credit allows the District to borrow at an interest rate of 7% for the Jan Park improvement project. The District has borrowed \$153,018.98 and plans to pay off the balance from Jan Drive Park Grant Award funded by State of California, 2006 Parks Bond Act, Statewide Park Development and Community Revitalization and from donations received for the project.

B. Loan Agreement with Mission Oak Recreation and Park District

On December 6, 2011, the BOS approved a loan agreement between the District and MORPD. Based on the agreement, MORPD provides up to \$600,000 to the District for La Sierra Community Center improvement project and associated costs in securing the tenant. The District received \$350,000 in fiscal year 2011-12 and plans to use \$258,991 of the loan proceeds received in fiscal year 2011-12 to pay a portion of the Sacramento County Fixed Asset Acquisition Fund line of credit account as described above and \$91,009 to cover the costs of the real estate commission paid to secure the tenant lease. A second allocation of the loan in the amount up to \$250,000 is expected to be made in fiscal year 2012-13. The loan is at interest rate of one percent above what MORPD received from Sacramento County Treasury for its cash and investments held with the Treasury. The loan is scheduled to pay off in annual installments of 20% of the outstanding balance for a period of five years beginning in January 2013. The District intends to use lease income obtained from a new tenant to pay off this loan.

**CARMICHAEL RECREATION AND PARK DISTRICT**  
**SCHEDULE OF FIRST 5 REVENUES AND EXPENDITURES**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2009 and 2010**

	TOT LOT at Patriots Park	TOT LOT at O'Donnell Heritage Park
	<u>2009</u>	<u>2010</u>
Revenues		
Other local sources	<u>\$ 50,000</u>	<u>73,439</u>
Expenditures:		
Playground equipment purchase and installation	<u>50,000</u>	<u>73,439</u>
Total expenditures	<u>50,000</u>	<u>73,439</u>
Net Income	<u><u>\$</u></u>	<u><u></u></u>

See accompanying notes to supplementary information

**CARMICHAEL RECREATION AND PARK DISTRICT**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2009 and 2010**

**PURPOSE OF SCHEDULE**

**A. Schedule of First 5 Revenues and Expenditures**

This schedule provides information about the First 5 Sacramento Commission contracts: Contract numbers 07/08-IN-075 and 09/10-IN-107 for installation of playground at Patriots Park and at O'Donnel Heritage Park, respectively. According to the contracts, the Carmichael Recreation and Park District is required to submit an annual financial and compliance audit to the First 5 Sacramento Commission.



Internal Services  
Department of Finance  
Auditor-Controller Division

County of Sacramento

Bradley J. Hudson,  
County Executive  
  
David Villanueva,  
Chief Deputy County Executive

Ben Lamera,  
Assistant Auditor-Controller

Julie Valverde,  
Director of Finance

June 14, 2012

Advisory Board of Directors  
Carmichael Recreation and Park District  
5850 Grant Avenue  
Carmichael, CA 95608

**AUDITOR'S 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**

We have audited the financial statements of the governmental activities and general fund of the Carmichael Recreation and Park District (District), as of and for the year ended June 30, 2006, 2007, 2008, 2009, and 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 14, 2012. The report was qualified due to inadequacies in the District's capital asset records. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and recommendations, Findings #1, 2, 3, and 4, 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 the deficiencies described in the accompanying schedule of findings and recommendations, Findings #5, 6, and 7, to be significant deficiencies.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatements, we performed tests of the District's 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and recommendations as Finding #3 and 7.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Sacramento County Board of Supervisors, the District's Advisory Board of Directors, and the District's management. This report is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

JULIE VALVERDE  
DIRECTOR OF FINANCE



By: Alan A. Matré, C.P.A.  
Chief of Audits

**CARMICHAEL RECREATION AND PARK DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2006, 2007, 2008, 2009 and 2010**

**PRIOR YEAR FINDING - MATERIAL WEAKNESS**

- Fixed Asset Records

For the fourth consecutive audit, the fixed asset supporting documentation was not properly maintained by the Carmichael Recreation and Park District (District). Due to this inadequacy in fixed asset records, we could not express opinion on the investment in capital assets account or depreciation amounts.

Recommendation

We recommend that the District establish adequate fixed asset supporting records to document recorded amounts.

Current Status

The District did not fully implement our recommendation. See current year Finding #1.

Management Response to Current Status

We disagree as we maintain adequate fixed asset supporting records.

**OTHER PRIOR YEAR FINDINGS**

- General Ledger Account Balances

We noted that debit balances on some of the District's general ledger (aka COMPASS) accounts including the payroll liability accounts and payroll clearing account. The debit balances represent potential unrecorded expense to the District. During our audit, we noted some items that were incorrectly reported in the payroll liability and clearing accounts. Also, we had to adjust the accounts receivable account to the proper amount of accrual needed for revenue. This is repetitive finding from previous audit of fiscal year ended June 30, 2002.

Recommendation

We recommend that the District consult with the County of Sacramento, Department of Finance, for assistance in preparing correcting entries to the County of Sacramento COMPASS system. Also, the District should verify and correct the year end accounts receivable account to make sure the proper accruals were made.

Current Status

The District did not fully implement our recommendation. See current year Finding #5.

Management Response to Current Status

We agree to work with County Staff to prepare correcting entries.

**CARMICHAEL RECREATION AND PARK DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2006, 2007, 2008, 2009 and 2010**

- Payroll Clearing Account

We noted that a COMPASS general ledger account, payroll clearing, was not zeroing out. This account, similar to the payroll liability withholding accounts, is a temporary account and should not have a balance. The debit balance contained in this account may represent unrecognized or misclassified expenditures or other out of balance condition to the District. In each of the years under audit, there was between \$200 and \$50,000 in the payroll clearing accounts that the District should have corrected. This is repetitive finding from previous audit of fiscal year ended June 30, 2002.

Recommendation

We recommend that the District staff research and adjust with the County assistance all payroll liability accounts to zero before the end of each fiscal year.

Current Status

It appeared that the District implemented our recommendation.

Management Response to Current Status

We disagree in that it is not possible for District Staff to correct as the transactions are generated and posted by County Payroll; staff has and continues to review the payroll clearing account and notifies County Payroll when corrections are needed; corrections are made by County Payroll.

- Time Delay for Deposit of Daily Cash Collections

We noted that the revenue collection at La Sierra Community Center and the District office is not being consistently deposited in a timely fashion to the Wells Fargo Bank account maintained by the district. In many cases thousands of dollars are sitting at the community center and District offices. During the audit observation, we noted that over \$61,000 was in the District safe. The deposit had not been made for over 10 days. This practice puts the District at a high level of theft and/or misappropriation risk. This is repetitive finding from previous audit of fiscal year ended June 30, 2002.

Recommendation

The District needs to make the depositing of revenue a priority in the organization. There should be written policies that revenue is to be deposited no less frequently than every other day or if the District has over a certain dollar amount.

Current Status

The District did not fully implement our recommendation. See current year Finding #2.

Management Response to Current Status

We agree to make this a priority. Written procedures have already been completed. Collections of cash and mostly checks (with deposit endorsement) from LSCC are brought over to the District Office daily. LSCC collections are combined with CP District Office



**CARMICHAEL RECREATION AND PARK DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2006, 2007, 2008, 2009 and 2010**

collections placed in the District Office safe until the bank deposit is made. Bank deposits are made twice a week. On rare occasions due to staff availability (sick leave, vacation, or workload) deposits have been delayed. It is not always feasible as we have a small staff and the need for separation of duties to maintain internal control.

- Bank Reconciliation

The District did not perform bank reconciliation timely.

Recommendation

We recommend that the District do the reconciliation on timely basis. This is repetitive finding from previous audit of fiscal year ended June 30, 2002.

Current Status

The District did not fully implement our recommendation. See current year Finding #2.

Management Response to Current Status

We agree that during the half of the audit period we had temporary or part time staffing which hindered this process. There has been improvement as bank reconciliations are made by a full time bookkeeper soon after the statements are received. On some occasions we experience delays in receiving the statements; some require more time to balance, especially the end of the fiscal year/beginning of new fiscal year, since year end collections are deposited in July.

- Wells Fargo Bank Account Transfers to County Treasury

The District maintains accounts with Wells Fargo Bank to facilitate deposit of cash collections and credit card activity. Funds are generally transferred by the District to the County Treasury at least monthly following the month-end reconciliation procedures. We noted that the deposits to these accounts were not transferred to the County Treasury in a timely manner. The District has \$122,820, \$234,605 and \$278,559 in their accounts with Wells Fargo Bank as of June 30, 2003, 2004 and 2005, respectively. The balance increases to \$484,182 as of October 31, 2005. This is repetitive finding from previous audit of fiscal year ended June 30, 2002.

Recommendation

We recommend that timely transfers of funds occur to strengthen controls over cash and maximize interest earnings on District funds.

Current Status

The District did not fully implement our recommendation. See current year Finding #2.

Management Response to Current Status

We agree and have improved; frequently making transfers two to three times a month, especially during dry-period financing.

**CARMICHAEL RECREATION AND PARK DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2006, 2007, 2008, 2009 and 2010**

- Appropriations Exceeded at Object Level

The District's actual expenditures exceeded approved budgeted appropriations. No appropriation adjustment or Advisory Board action was noted for these excesses. Budgets are approved at the object level by the County Board of Supervisors and represent a binding budget. This is repetitive finding from previous audit of fiscal year ended June 30, 2002.

Recommendation

We recommend that appropriation levels established by the Board of Supervisors and the District's Advisory Board not be exceeded and that any modifications be documented and approved.

Current Status

The District has implemented our recommendation.

Management Response to Current Status

The District did not respond to this current status.

- Use of Parkland Dedication Trust Fund

We had some questions as to the District's use of the Parkland Dedication Trust funds for the loans and interest payments.

Recommendation

We recommend that Parkland Dedication Trust funds be expended and their uses for the Parkland Funds be documented by the District in accordance with County Ordinance.

Current Status

The District has implemented our recommendation.

Management Response to Current Status

The District did not respond to this current status.

- Maintenance of Accounting Records

District did not maintain some records needed to document financial activity and position.

Recommendation

We recommend that the District maintain all records needed to document financial activity and position.

Current Status

The District did not fully implement our recommendation. See current year Finding #1.

Management Response to Current Status

See later in Management Response to Current Year Finding #1.

**CARMICHAEL RECREATION AND PARK DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2006, 2007, 2008, 2009 and 2010**

- Cash Handling Procedures

The District has inadequate cash handling procedures at both the La Sierra Community Center and the District office. In most cases there is only one person that is handling both the receiving (either by mail or registration in person) posting and then making the deposits. Also, there are no final cash counts or reports done at the end of the day, so there are opportunities for the misappropriation of funds. The District needs to address the inadequate cash handling to protect both the District and the employees handling the cash.

Recommendation

District should institute better cash handling procedures that maintain a separation of duties. The District needs to train employees on proper cash handling procedures. The District also needs to provide an adequate number of personnel to maintain a proper separation of duties for revenue and cash collection and handling. In addition, the District should develop some cash handling procedures. This would help insure a standardized way for the collection of cash.

Current Status

The District did not fully implement our recommendation. See current year Finding #6.

Management Response to Current Status

We disagree. Each customer service/cashier (minimum of two at each office) receives payments for rentals, tenant lease payments, programs, activities and miscellaneous revenue and posts to the Sportsman and now RecPro software. End of the day reports are run. Each cashier must balance to their report. Each office runs a combined report. The LSCC office deposits are brought to the District Office daily by one of the Recreation Supervisors. District Office reports are run the same. Previously a third person (Adm Analyst) would make the final deposit to the bank. Now the Payroll/Account Clerk makes the final deposit to the bank. We are a small administrative support group.

**CARMICHAEL RECREATION AND PARK DISTRICT  
CURRENT YEAR FINDINGS AND RECOMMENDATIONS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2006, 2007, 2008, 2009, and 2010**

**CURRENT AUDIT FINDINGS**

**MATERIAL WEAKNESSES**

1. **CAPITAL ASSET ACCOUNTING AND RECORDKEEPING**

The Carmichael Recreation and Park District (District)'s capital asset ledger is being maintained by the County of Sacramento, Department of Finance, Auditor-Controller Division (Auditor-Controller). However, the District is responsible for ensuring the accuracy of the capital assets listed in the capital asset ledger. The District is also responsible for properly maintaining supporting documents for all capital asset acquisitions and dispositions. Therefore, the District should review the capital asset ledger annually to ensure that all capital assets are properly recorded, and obsolete and disposed capital assets are properly removed.

Capital assets under construction are classified as construction-in-progress in the capital asset ledger and are not depreciated until completed. The District should annually review the construction-in-progress account in the capital asset ledger and notify the Auditor-Controller when projects are completed.

During the audit, we noted the following:

A. **Capital Asset Supporting Documentation**

The District did not maintain adequate supporting documentation for capital assets in the capital asset ledger. Accordingly, the District was unable to provide sufficient documents to allow us to complete our audit procedures for capital asset testing.

B. **Obsolete and Missing Equipment**

As part of our audit procedures, we requested District's management review the capital asset ledger. The management identified several capital assets listed in the ledger that were either obsolete or missing. It appears the District is not reviewing the capital asset ledger annually. Assets held by the District should be functional and used for current operations. Obsolete and missing equipment overstate the District's capital asset balances.

C. **Missing Inventory Tags**

During our review of the District's capital asset acquisitions for the current audit period, we noticed missing inventory tags on three equipment items: Toro Workman (Asset #69677), Bandit Brush Chipper (Asset #69374), and Kioti DK65 Tractor (Asset #65844). The District is responsible for following the County of Sacramento guidelines which requires inventory tags be affixed to capital assets.

D. **Completed Construction-In-Progress Projects**

The District has completed projects classified as construction-in-progress in the capital asset ledger. The Gibbon's Kitchen (Asset #00001CLSGBK), La Sierra Johnson Gym snack bar (Asset #00001CLSJSB), and La Sierra alarm system upgrades (Asset

**CARMICHAEL RECREATION AND PARK DISTRICT**  
**CURRENT YEAR FINDINGS AND RECOMMENDATIONS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2006, 2007, 2008, 2009, and 2010**

#00001CLSFIR) were completed in fiscal years ended June 30, 2007 and 2008. However, these completed projects continue to be classified as construction-in-progress in the capital assets ledger. It appears the District did not review the capital asset ledger and notify the Auditor-Controller when projects were completed.

As a result, we could not perform sufficient audit procedures regarding the capital asset account transactions and balances. Accordingly, we were unable to express opinions regarding the District's capital assets and related depreciation account transactions and balances presented in the government-wide statements of net assets.

The Auditor-Controller maintains a capital asset listing on the District's behalf, and it is incumbent upon the District to adequately maintain its own capital asset listing and supporting documentation. The District is at risk of losing track of capital assets and materially misstating account balances when it does not inventory, tag, and conduct an annual review of capital assets in its custody. When capital assets are not properly inventoried, the District is exposing itself to potential fraud, theft, and misappropriation of capital assets without knowledge of such events occurring.

Recommendation

We recommend the District:

- A. Maintain proper documentation to support capital asset activities;
- B. Conduct a physical inventory for all District capital assets and reconcile the listing to the capital asset ledger maintained by the Auditor-Controller. While conducting the inventory, obsolete assets that are no longer in service and/or missing assets should be identified. The District should contact County of Sacramento Department of General Services Support Services Surplus Property Service to remove the obsolete assets from the District's listing and the capital asset ledger. The District should also investigate all missing assets and submit a Relief of Accountability form to Sacramento County Board of Supervisors to remove the missing assets from the District's listing and the capital asset ledger. The Request for Relief of Accountability should be properly approved from the District's Advisory Board of Directors and the Sacramento County Board of Supervisors;
- C. Attach inventory tags to capital assets according to County of Sacramento capital asset guidelines in order to reduce the risk of fraud, theft, and misappropriation of District assets; and
- D. Identify all completed construction-in-progress projects, and begin depreciation for completed assets on the District's capital asset ledger.

**CARMICHAEL RECREATION AND PARK DISTRICT**  
**CURRENT YEAR FINDINGS AND RECOMMENDATIONS**  
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Management Response

A. Capital Asset Supporting Documentation

We disagree. We maintain a spreadsheet and backup documentation for each project, filed by project and FY. We include the Fixed Asset Form which describes the project and indicates whether the project is an addition/transfer/retirement. For equipment purchases we maintain an internal log and invoices are accompanied by a form to create an asset and indicated whether the equipment is an addition/transfer/retirement.

B. Conduct a physical inventory

We have performed a physical inventory. The latest physical inventory was completed in September 2010 and book inventory for 2011. Many of the declarations performed in the past, repeatedly included the same disposal information, EMR's and Relief from Accountability. County Fixed Asset Staff has finally updated the list. The list provided for the book inventory 2011 includes these changes. Re: obsolete equipment, according to County Fixed Asset staff, we cannot remove until the asset is disposed or surplus.

C. Inventory Tags –

We agree. We have requested County Fixed Asset Staff to provide new tags. We do have tags on most of the equipment; however, due to environmental exposure some of these tags have been damaged.

D. Identify all completed construction –in-progress.

We agree and are working with County Fixed Asset Staff to complete this task.

2. CASH MANAGEMENT

During our audit, we noted that the District had poor cash management as follows:

A. Time Delay for Deposit of Daily Cash Collection

According to the District's Administrative Procedures Guide, the District's daily collections and deposits should be made daily whenever possible, but no fewer than once per week. However, during our review of collections and deposits at the District, we noted many incidents that the deposit had not been made for over 10 days. This practice makes the District highly vulnerable for theft and misappropriation of cash.

B. Bank Reconciliation Procedures

Based on our review, the District's bank reconciliation procedures appeared inadequate. The District did not use a bank account register but used cash receipt journal to reconcile bank statements to the District's book balance for cash and to account for revenue earned during each month. Also, although detailed daily cash receipts were reflected in the cash receipt journal, the daily disbursements were not accounted for. As such, the daily cash running balance was not properly maintained in the District's books and cash balance per book that reconciles with bank statements was not easily determinable. In addition, in

**CARMICHAEL RECREATION AND PARK DISTRICT**  
**CURRENT YEAR FINDINGS AND RECOMMENDATIONS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2006, 2007, 2008, 2009, and 2010**

many cases, the reconciliations were not performed within two weeks of receipt of bank statements, which caused the delay of transferring funds into the County Treasury account. Furthermore, the District's bank reconciliation did not bear any evidence of review in a standardized and consistent manner.

**C. Time Delay for Transferring Funds to and Negative Cash in County Treasury**

The District maintains accounts with Wells Fargo Bank to facilitate deposit of cash collections and credit card activity. The District then transfers the funds from the Wells Fargo Bank to the County following the month-end bank reconciliation. We noted that there were many incidents that deposits to these accounts were transferred to the County more than one month after the deposits to the Wells Fargo bank have been made.

Furthermore, we noted that the District's Cash in County Treasury had average negative balances for the fiscal years ended June 30, 2006, 2007, 2009, and 2010, in the amounts of (\$188,058), (\$143,131), (\$320,438) and (\$15,573), respectively. The District's highest negative daily cash balances in the County Treasury during fiscal years ended June 30, 2006, 2007, 2008, 2009, 2010 were (\$967,603), (\$614,615), (\$482,706), (\$1,296,686) and (\$652,793). Because of conditions described above, the District was being charged for interest from the County Treasury while earning minimal interest from the excess cash deposited with Wells Fargo Bank.

**D. Cash and Investment Risk Management**

Cash balances in banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 from July 1, 2005 to October 2, 2008 and up to \$250,000 from October 3, 2008 to June 30, 2010, respectively. The District has 3 commercial bank accounts with Wells Fargo Bank. The District's combined cash balances in the Wells Fargo Bank accounts have exceeded the FDIC insured limits. Although the District has not experienced any losses in these accounts, it was exposed to custodial credit risks in amounts of \$235,821 (\$335,821 combined bank account balances - \$100,000 FDIC insured limit), \$885,027 (\$985,027 combined bank account balances - \$100,000 FDIC insured limit), and \$226,645 (\$326,645 combined bank account balances - \$100,000 FDIC insured limit) as of June 30, 2006, 2007, and 2008 respectively. Although the District's combined bank account balances as of June 30, 2009 and 2010 were under the FDIC insured limit, the District's balances have consistently exceeded the FDIC limits throughout the fiscal years ended June 30, 2006, 2007, 2008, 2009, and 2010.

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

**CARMICHAEL RECREATION AND PARK DISTRICT**  
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Recommendation

We recommend:

- A. A deposit to the bank be made on the day of or the day following receipts of funds;
- B. The District adopt a standardized bank reconciliation format instead of using cash receipt journal in lieu of standard bank reconciliation. Also, the District should maintain daily cash running balance. This will help the District to maintain sound cash management. In addition, we recommend that the District reconcile bank accounts within two weeks from the receipt of bank statement, and that all reconciliations be initialed and dated by both employee and supervisor and be maintained as a formal accounting record of the District;
- C. The District contact County Treasury and develop a corroborative strategy to transfer cash to the Treasury in a timely manner thereby resolving on-going negative cash flow problems in the Treasury; and
- D. The District contact the Wells Fargo Bank about the possibility to protect all of the deposits in the bank. The District may consider reallocating and diversifying its cash and investments to another financial institute to spread the custodial credit risks.

Management Response

A. Time Delay for Deposit of Daily Cash Collection

We agree with this objective; however, daily deposits are not practical due to workload and small staff. During the audit period deposits were normally made a least once a week. Some were delayed due to vacation/sick leave and work load. Currently, we make bank deposits a minimum of twice a week. Re: possible vulnerability for theft and misappropriation of cash, most of our transactions are checks endorsed for deposit and credit card receipts. For example, in a recent month 97% of the total funds received were in the form of checks and credit cards; 3% were in the form of cash. Un-deposited funds are held in fire proof safes, one in each office. The reference to misappropriation of funds is irrelevant to this discussion.

B. Bank Reconciliation Procedures

We disagree. We have both a cash receipts journal combining the checking and market rate account activity, detailing G/L coding and descriptions and a check register spreadsheet with running bank balances for each account (Public Accounts: Checking, and Market Rate). The Petty Cash running balance is kept in the checkbook. Re: Checking and Market Rate Account, there are no daily disbursements only transfers one to three times a month to the County Treasury. Bank notices and statements are delivered unopened to the Bookkeeper and reconciliations are performed within a week of receipt. They are



**CARMICHAEL RECREATION AND PARK DISTRICT  
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performed by the Bookkeeper and reviewed by the Administrative Services Manager. Time delays are caused by mail delivery services and/or out-of-balance issues, which are infrequent. What does “sound” cash management refer to? There were no questionable reconciliations or unexplained transactions.

**C. Time Delay for Transfer to and Negative Cash in County Treasury**

We agree with this finding. We have improved by making transfers one to three times a month. The average during, not year-end cash balance is affected more by the fact that property taxes are not allocated until January (seven months into the fiscal year). During the first half of the year, aka dry period financing, we rely on our carry-over fund balance and monthly revenue collections to cover expenses. We have also been involved in numerous capital improvements and park development during the summer and fall months of each year which require payment of invoices before reimbursements are received.

**D. Cash and Investment Risk Management**

We disagree - it is not practical for us to maintain bank accounts at more than one financial institution. We agree to be more diligent in transferring funds to the County Treasury.

**3. COMPLIANCE WITH LAWS, REGULATIONS, CONTRACTS, AND AGREEMENTS**

During our test of the District’s compliance with certain provisions of laws, regulations, contracts, and agreements, we noted several instances of noncompliance as follows:

**A. Government Code - Annual Audit Requirement**

Annual Audit – Government Code 26909 requires the District to conduct an annual audit in accordance with audit standards prescribed by the State Controller and generally accepted auditing standards. The District has not had an annual audit pursuant to the above Government Code since the fiscal year ended June 30, 2005. Accordingly, the District has not complied with the Government Code since July 1, 2005.

**B. First 5 Sacramento Commission - Annual Audit Requirement**

The District had two agreements with First 5 Sacramento Commission (Commission) in the amounts of \$50,000 and \$100,000 in fiscal years 2008-09 and 2009-10, respectively. The District agreed to follow all terms listed on the agreements in return for receiving funding from the Commission for certain children playground facilities in two neighborhood parks. Based on the agreements, the District is required to submit an annual financial and compliance audit report to the Commission within six months after the end of the agreement periods. As stated above, the District have not had an annual audit since June 30, 2005. Accordingly, the District is not in compliance with the agreements to submit annual financial and compliance audit reports to the Commission.

Non-compliance with laws, regulations and the agreements prevent the District from maintaining sound internal control and protecting public interest. In addition, the District could

**CARMICHAEL RECREATION AND PARK DISTRICT**  
**CURRENT YEAR FINDINGS AND RECOMMENDATIONS**  
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be subject to returning funding back to the Commission for non-compliance with contract agreements.

Recommendation

The District should review all applicable laws, regulations, contracts, and agreements at least on an annual basis to ensure compliance with them. The District should obtain an audit engagement with a qualified auditor for fiscal year 2010-11. Also, the District should contact the Commission immediately to resolve the issues of non-compliance.

Management Response

A. Annual Audit requirement

We agree to be more diligent to schedule audits no more than every two years and contract with an outside auditor to ensure compliance. The reason that the District has not had an audit since the FYE June 30, 2005 (completed in 2007) has to do with the availability of County Audit Staff in the first couple of years (2006-07 and 2007-08) and the availability of Key District Staff in FY 2009-10 and part of FY 2010-11.

B. First 5 Sacramento Commission – Annual Audit Requirement

We agree, although the award proceeds were reimbursements on paid invoices through the County of Sacramento payment services bureau not advances. Payment requests for the park improvements (tot lot playground and butterfly garden), included the following documentation: document numbers, vendors, expense descriptions, amounts and copies of the paid invoices. The District provides annual reports regarding the maintenance and care of the improvements. Unlike other awards, this award was for features in a park development rather than a program. We will work with First 5 to amend the agreement pertaining to audit requirements to accept annual reporting related to the use and maintenance of the Tot Lots, as specified by the First 5 Sacramento Commission.

4. ADMINISTRATIVE AND FISCAL MANAGEMENT

Since fiscal year 2005-06, management has developed and implemented certain policies and procedures to remedy several deficiencies and non-compliance that were reported in the previous audit report. However, as described at *Status of Prior Year Findings section* of this report, the management has not fully implemented or not implemented many prior year recommendations so that several prior year deficiencies and non-compliance continued to occur. Several findings have been repeated for more than one audit. The capital assets finding has been repeated five consecutive audits.

Further, as described in other findings throughout this report, the District has many deficiencies in the accounting processes, internal control, compliance, and risk management. Accordingly, the District's management was not able to demonstrate sound administrative and fiscal management.

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In addition, we experienced significant delay in receiving proper information from the management to complete the audit. On July 29, 2011, we requested the management to provide management's discussion and analysis (MD&A) information for us to complete the audit. However, we did not receive the MD&A information until January 13, 2012, which is over five months. Again, the management did not demonstrate sound administrative and fiscal management due to delay in provide proper MD&A information. This delay also postponed the completion of the District's audit.

Inadequate administrative and fiscal management could significantly impair the District's ability to operate its programs efficiently and protect public funds and interest.

Recommendation

Management should implement the recommendations suggested in this report, and management should continue to develop and implement policies and procedures to maintain sound administrative and financial management. Also, the District's management should develop and implement a corrective action plan related to the findings identified in this report and provide updates to the Advisory Board on a monthly basis.

In addition, the District should set up internal deadlines or other procedures to ensure proper audit information are provided timely in the future.

Management Response

We agree that the capital assets finding has been repeated since the time that District asset record was included in the County System, long before any present staff was employed by the District. To recreate the record would be a formidable task.

We disagree that we do not practice sound administrative and fiscal management. The District uses the County Financial System (COMPASS) with payment services and Personality software for payroll, which provides pre-audit review and posting. The County Fixed Asset Staff provides a component of asset management. We have continued to improve our internal control even with a small staff. The District carries the necessary insurance to protect the District assets and potential liability and has an active safety committee to meet our risk management needs.

Staff cooperated with the audit staff providing records and schedules by the requested deadlines. The delays in providing the Management Discussion and Analysis Report were caused for several reasons. In July 2011, half of the administrative staff was reduced, including the Administrative Services Manager that provided the Report; one lost to reduction in force and the others were reduced to 20 hours a week. In addition, there were responsibilities which occur at the beginning of each fiscal year and responsibilities related to a new lease negotiation, loan agreements and lease document preparation and execution. Finally, there were difficulties in scheduling meetings to receive clarification of the template and financial report. Notes requested were not received by the District until November 3, 2011. These notes were

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explanations for the adjustments made to the financial statements by the audit staff. District staff had follow up questions regarding these notes. In January 2012, audit staff posed additional questions regarding the bridge financing and loan with the Mission Oaks Recreation and Park District which are not even part of the audit period.

**SIGNIFICANT DEFICIENCY**

**5. FINANCIAL REPORTING AND RECORDKEEPING**

**A. Other Postemployment benefit (OPEB)**

As the District provides certain postemployment medical benefits to eligible retirees, the District is required by Generally Accepted Accounting Principles (GAAP) to follow Governmental Accounting Standards Board (GASB) Statement No. 45 "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pension*". As such, the District is required to measure and disclose an amount for annual OPEB cost on the accrual basis of accounting. As the District has less than total 100 active employees and retirees, the District is required at least triennially to either have an actuarial valuation or apply an alternative measurement method prescribed by GASB to measure the annual OPEB costs and related assets or liabilities. However, the District did not obtain an actuarial valuation or apply the alternative measurement method to measure the annual OPEB costs and related assets and liabilities. Accordingly, the District did not provide all required OPEB disclosures and did not comply with the GAAP requirement.

**B. Compensated Absence Liability**

The District did not maintain accurate compensated absence liability information. The District's payroll staff manually tracks leave balances for employees on excel spreadsheets. However, it appeared that the leave balance tracking report was not reviewed by supervisors timely and consistently. In addition, although the District prepared the compensated absence liability schedule for audit purposes, it did not track or maintain the compensated absence liability as a formal accounting record on an annual basis and the District's management did not maintain estimated short-term liability amount information related to the compensated absence liability. Also, the compensated absence liability schedule provided by the District contained numerous errors, such as incorrect pay rate of employees and incorrect beginning, addition, deletion, and ending balance information for employees. Furthermore, the compensated absence liability amount as of each fiscal year end under audit was incorrectly calculated.

**C. Payroll Accrual**

During our payroll expenditure review, we noted that the District did not accrue payroll expenditures during the year end. Payroll expenditure was consistently recorded on a cash basis, expenditures posted after the year end are mostly offset by prior year expenditures posted in current year at the beginning of the year; therefore, overall annual expenditures

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were not materially misstated. However, the non-accrual of payroll expenditure resulted in material understatement of fund balance in the amount of \$68,601 as of fiscal year ended June 30, 2010, therefore, requiring audit adjustment.

**D. Security Deposit for Rental Activity**

The District did not properly account for security deposit from rental activity as liability in the general ledger (aka COMPASS) but accounted for the security deposit as rental revenue and reduced the revenue account balance when the deposit amount was refunded back to the customer. Although the District maintained supporting documentation for deposits and refund activities, the District was not able to calculate the security deposit liability for rental activity due to the current improper accounting practices. This resulted in understatement of the District's liability and overstatement of revenue. Based on our review, we noted that the current financial effect due to this improper accounting practice was immaterial. However, this could result in material under/over statement of the District's liability/revenue in the future.

**E. Revenue Accrual and Accounts Receivable**

The District did not properly post audit adjustment, timely causing errors discovered in previous audits carried over to current audit periods unresolved. In addition, year-end revenue accrual transactions posted to the general ledger were not adjusted timely when the actual transaction amounts were different than what were accrued causing under or overstatements of accounts receivable, revenues, and fund balances.

**Recommendation**

We recommend:

- A. The District obtain an actuarial valuation or apply the alternative measurement method to measure its annual OPEB costs and related assets and liabilities. Then, the District should follow GASB's OPEB accounting and disclosures.
- B. The District establish adequate internal control policies and procedures for tracking and reviewing employees' leave absence balances on a regular and consistent basis. The leave balances schedule prepared by the payroll clerk should be reviewed timely by supervisors evidenced by initials and dates. In addition, the District should track and maintain the compensated absence liability, including estimated short-term versus long term liability amount information, as a formal accounting record on an annual basis and the record should be properly reviewed by supervisors.
- C. The District annually evaluates the materiality of the year-end payroll expenditures, which are incurred but not paid, and make a payroll accrual entry if the amounts are determined to be material.

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- D. The District properly record rental security deposits as a liability. The District should seek for assistance from the County's COMPASS security personnel if any difficulty arises recording account transactions into the COMPASS system.
- E. The District's management ensure that audit adjustments are posted to the District's general ledger system timely, and year-end revenue accrual transactions are reconciled with actual transaction amounts. Any differences noted should be adjusted in a timely manner to maintain accurate account balances.

Management Responses

A. Other Postemployment benefit (OPEB) – actuarial valuation.

We disagree. The report was conducted. As stated to the audit staff during the field work, the District was included in the County's Report. That report was provided by the County Benefits Manager to the County Assistant Auditor-Controller.

B. Compensated Absence Liability – tracking employee leave balances

We disagree. Employee balances are reviewed and signed by their immediate supervisor/manager each pay period. Annually, a supplementary absence schedule is provided to the management staff. This report includes time earned and used for each benefited employee.

Regarding the compensated absence schedule, the District Payroll/Account Clerk performed a complete audit of previous records up to FY 2004-05; noted and corrected discrepancies which affected the beginning balances for the audit period. In the schedule provided for audit purposes for this audit period, there were a few data entry errors and errors in the formulas; however, the corrections were noted and made.

C. Payroll Accrual – year end

We disagree and find the recommendation impractical. Payroll expenditures have always been recorded on a cash basis. The effect to fund balance is self-correcting in the following year. Because payroll is performed on a bi-weekly basis with staggered payroll periods for full time vs. part time employees, it would be difficult to even ascertain the liability in time to meet year end deadlines.

D. Security Deposit for Rental Activity – daily rentals

We disagree. This issue is immaterial. Total annual daily rental income averaged \$168,853 over the audit period. Security Deposits for daily rental activity are received when a reservation is made and refunded when the event/rental is completed. The District record is well documented and has software that tracks the security deposits separately from the rental revenue. Most deposits are made and refunded within a month and within the same fiscal year. Some refunds are made directly to a credit card. Very few deposits (3%) carry over into the next fiscal year.

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Facility users such as the Boy Scouts and Tenant lease security deposits are placed in the liability account because they are held long term. District Staff must rely on County Treasury Staff to post line item text, where we provide the renter/tenant name; unfortunately, they don't always post the information. District staff does not receive details of the liability account, Deposit From Others. The information we receive is provided on the trial balance showing the total with beginning and ending balances. District staff cannot run reports for reconciliation purposes and must rely on internal spreadsheets to validate the balance.

Prior to COMPASS, the former accounting system allowed for subsidiary accounts. The District would receive monthly reports from the County which would detail the account activity and balances.

E. Revenue Accrual and Accounts Receivable - posting audit adjustments

We agree to review the audit adjustments and current balance in the Accounts Receivable account and work with County staff to post any necessary transactions.

6. INTERNAL CONTROL

A. Physical Security Over Cash

We noted that a safe located at La Sierra Community Center main office was located under a receptionist's desk. Although the safe itself was locked and hidden from general public, it could be easily viewed from behind the desk of the reception area. This provides opportunity for temporary seasonal workers or third party contracted workers to locate the safe and attempt a theft.

In addition, a safe at the District office was located underneath a cabinet in the break room. Although the safe was hidden from view behind a cabinet door, the cabinet door lock was broken. It appeared that anyone who walks in to the room can find the safe by opening the cabinet door. This is a potential risk of theft and employee safety issue for the District.

Furthermore, based on our inquiries to the District office's staff who handle cash and our observation, although lockable desk drawers were used as cash storage, not all cash handlers were utilizing the desk lock in their absence from the desk during breaks or any other reasons for absence.

B. Timesheet Approval

During our testing of payroll expenditures, we noted that several timesheets were not signed by supervisors. Also, the District Administrator's timesheets did not bear evidence of secondary review. A timesheet review is an important internal control to ensure the accuracy of payroll processing.

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C. Cash Handling Procedures

The District had inadequate cash handling procedures at both La Sierra Community Center and the District office which opens up the opportunity for the misappropriation of funds. In most cases, there is only one person who is handling both receiving and posting cash. In addition, final cash count at the District office for closing at the end of the day, before the cash is placed into the safe, was performed by only one individual.

D. Unaccounted Cash at La Sierra Community Center

During our cash count at La Sierra Community Center, we noted cash change funds maintained at La Sierra Office and at the snack bar registration in amount of \$100 and \$35, respectively. However, based on discussion with the District's Administrative Services Manager, the change funds were never distributed by the District's office. Therefore, these cash change funds are unaccounted for and the sources of these changes are unknown.

In addition, we discovered an envelope with unaccounted cash, approximately \$2,100, in the safe at La Sierra Community Center. Based on discussion with the District's management, this cash was revenue from snack sales at the skate park area at La Sierra Community Center. However, the sales activity was not properly authorized by District management and the permit for sales activity was not obtained. In addition, the cash was placed in the safe for several months without being accounted for as the District's revenue.

E. Check Signing Process

We noted that the District's Administrative Services Manager has custody of the District's checks and is the only person who can sign the District's check. Also, although checks are reviewed and bank reconciliations are performed by her staff, the District's checks are signed and issued without prior approval from higher level official in a consistent manner. Also, the District does not have any back up check signer in the absence of the District's Administrative Services Manager.

F. Employee Mileage Claim

During our expenditure testing, we noted that the District's mileage claim forms submitted by employees were approved by their supervisors, even though there was no address indicating point of departure nor point of destination. This could provide employees with an opportunity for potential misuse of mileage claim.

In addition, we noted that mileage for the two District employees' commute from/to work and home were improperly charged to the District. Although these mileage claims were paid to the employees upon approval by the employees' supervisors, mileage claims for commute from/to work and home are not allowable claims. Based on our review, approximately \$400 was inappropriately charged to the District due to the above described reasons.



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**G. Evaluation and Implementation of Internal Control Policies and Procedures**

Throughout our audit process, we noted inconsistencies in the District's established policies and procedures and actual practices. The District maintained the Administrative Procedures Guide providing policies and procedures regarding the District's day-to-day operation. However, we noted many incidents that the policies and procedures outlined in the District's Administrative Procedures Guide were not properly implemented. The procedures that were not properly implemented include cash handling procedures (segregation of duty and dual custody), procedures regarding security over cash drawers, petty cash being used as change, and others. In addition, we noted several deficiencies in the District's internal control policies and procedures, such as, bank reconciliation process, leave balance review process, sales activities for special events and the related cash handling process, check signing process, business contingency plan, and others. Also, it appears employees are not aware of the Administrative Procedure Guide.

**Recommendation**

We recommend:

- A. The District improve physical security over cash by placing the safe in the locked secure area where it cannot be accessed or viewed by any person who is not authorized to use the safe to reduce the risk of theft and eliminate any potential threat to employee safety. In addition, we recommend that the District enforce its policies and procedures to lock cash drawers, in the absence of the cash handler from the desk to eliminate the opportunity for theft.
- B. The District's management ensure that all timesheets are reviewed and signed by supervisors as well as employees. We also recommend the District Administrator's timesheets be reviewed by a board member to ensure that information in the timesheets is accurate and approved.
- C. The District maintain separation of duties in cash handling by implementing the District's cash handling policies and procedures. The person who posts cash receipt transactions is not the same individual who performs the cash receipt function. The final cash count for closing at the end of the day should be performed by two persons to reduce the risk of mishandling of cash.
- D. The District establish written policies and procedures providing guidelines for sales activities for special events and how to handle cash receipts from those special sales activities. No sales activity should occur without management's authorization and proper permitting. All items to be sold should be properly inventoried and all sales transactions should be properly recorded by using transaction books and receipts. In addition, management should monitor the sales activity to ensure that staff are complying with guidelines established by the District. We furthermore recommend the District conduct periodic unannounced cash counts for safes and cash drawers to ensure

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all cash on hand is properly accounted for, and to detect and investigate any unaccounted cash receipts or missing cash.

- E. The person who signs and authorizes checks for disbursement should be different from the person who has custody of the check books. If it is not feasible due to staffing issue, at a minimum, there should be prior written approval from a higher level official before issuing checks. The District should assign a back up check signer so that in the absence of the primary check signer, the critical day-to-day business operation is undisrupted.
- F. The District establish written policies and procedures regarding mileage reimbursement process which provides instructions to its employees on how to fill out mileage reimbursement forms. The mileage reimbursement form should indicate the date and purpose of the trip as well as addresses indicating point of departure and destination. Mileage for commute from/to work and home should not be claimed to the District.
- G. The District re-evaluate existing internal control policies and procedures periodically to identify any deficiency in its existing policies and procedures, and update as necessary. Once the proper internal control policies and procedures are in place, the District's management should properly communicate the policies and procedures, and provide the necessary training to its employees. Also, the District's management should monitor its employees' activities and day-to-day operations to ensure that the policies and procedures are properly implemented, and take timely action if any noncompliance is noted.

Management Response

A. Physical Security over Cash

We disagree. Physical security over cash is placed in a secure area. Both offices have locking safes in places not visible to the public. Both offices have alarm systems equipped with panic switches/buttons to lock the doors and alert law enforcement. We have reviewed our written procedures with staff to reinforce the importance of placing funds in a locked cash drawer and/or safe.

B. Timesheet Approval

We agree to be more diligent. Re: the District Administrator's timesheet, we will review the recommendation with the Advisory Board and have either a board member or designee sign off on the timesheet.

C. Cash Handling Procedures

We disagree. Each customer service/cashier (minimum of two at each office) receives payments for rentals, tenant lease payments, programs, activities and miscellaneous revenue and posts to the Sportsman and now RecPro software. End of the day reports are run. Each

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cashier must balance to their report. Each office runs a combined report. The LSCC office deposits are brought to the District Office daily by one of the Recreation Supervisors. District Office reports are run the same. Previously a third person (Administrative Analyst), who is no longer with the District, would make the final deposit to the bank. Now the Payroll/Account Clerk makes the final deposit to the bank. It is not feasible to have more separation of duties as we are a small administrative support group.

**D. Unaccounted Cash at La Sierra Community Center**

We agree and have resolved the matter, reviewing policies and procedures with staff to ensure that this will not reoccur. We plan to conduct unannounced cash counts for safes and cash drawers.

**E. Check Signing Process**

We agree to add an additional member of the management team to the bank signature card. We disagree to store the check books in a different location or have a higher level official provide written approval before a check is written. There are other safeguards in place, such as bank statements delivered to the bookkeeper unopened. The bookkeeper prepares the deposit permit that goes to the County with the check. There have never been any irregularities.

**F. Employee Mileage Claim**

We agree with this finding. The issues have been resolved. No commute from/to work and home are being included for reimbursement. Re: purpose of the trip and from/to information, the County revised the mileage claim form in 2008 but only provided it to the District in January 2012. We are using the new form.

**G. Evaluation and Implementation of Internal Control Policies and Procedures**

The policies and procedures document the internal control process. We disagree that they have not been implemented; it is that they are not being followed or they are followed on a selective or inconsistent basis. Staff has been trained. When procedures are not followed it becomes a refresher training and corrective opportunity. We will continue to review our internal control procedures to identify potential weaknesses or to address the changing staffing levels and program needs.

**7. APPROPRIATION LIMIT**

**A. 2005-06 Appropriation Limit Calculation Schedules**

During our review of the District's appropriation limit calculation, we noted the schedules and backup for calculating the District's 2005-06 appropriation limit were not retained. Therefore, we were not able to determine the reason for the \$48,720 difference between the 2005-06 District adopted appropriation limit and our calculated limit.

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**B. Incorrect 2007-08 Appropriation Limit Calculation**

During our review of the District's fiscal year 2007-08 appropriation limit calculation, we noted a calculation error for the growth rate factor. A population percentage ratio of 0.2% was used instead of 0.02% established by the California Department of Finance when factoring the appropriation limit calculation. The calculation error led to a higher appropriation limit amount than what should have been calculated by approximately \$5,774.

**Recommendation**

We recommend:

- A. Staff retain all supporting documentation and calculations to substantiate the District's appropriation limit calculation.
- B. The appropriation limit be calculated accurately. We further recommend a process be established whereby a second person reviews the appropriation limit calculation for accuracy.

**Management Responses**

We disagree. It is not possible in as much as the County Executive's Office – Analyst performs the appropriations limit for all the dependent special districts. We used to perform this task; however, the County took it over to include it as part of the final budget process. The District does not receive the calculation worksheets to review or have an opportunity to comment or correct.