

AGENDA

Meeting of the Budget, Finance and Audit Committee
December 27, 2023 – 3:30 p.m. - Committee Meeting
North Highlands Recreation and Park District Office - 6040-Watt Avenue, North Highlands, Ca 95660
Phone: (916) 332-7440
WWW.NHRPD.ORG

1. **CALL MEETING TO ORDER**

2. **COMMENTS AND REPORTS FROM CITIZENS AND ORGANIZATIONS**

Matters under the jurisdiction of the Board of Directors, and not on the posted agenda, may be addressed by the general public at this time. The public may address the Board on each agenda item during the Board's consideration of the item. In order to speak, the speaker must complete and submit a public comment card. The cards are available on a table to the rear of the Boardroom. The card should be handed to the Secretary of the Board. The Chairperson of the Board may use his or her discretion in waiving this policy. The Board of Directors limits testimony on matters not on the agenda to three minutes per person and not more than fifteen minutes for a particular subject. Except for public hearings, comments from the public shall not be received until after completion of Board Discussion and deliberation, and just before final action or completion of the agenda item. The Board of Directors cannot take action on any unscheduled matter.

3. **NEW BUSINESS**

- A. Review of the Year End June 30, 2023, Draft Audit – District General Fund & Community Facilities District
Budget, Finance & Audit Committee to meet with Auditors of CliftonLarsonAllen LLP and staff, to review the Year End June 30, 2023, Draft Audit.

4. **ADJOURNMENT**

5. **DATE, TIME, AND PLACE OF NEXT MEETING**

The next regular meeting of the Board of Directors will be on January 11, 2024, at 6:30 p.m. in the North Highlands Recreation Center, 6040-Watt Avenue, North Highlands.

In compliance with the Americans with Disabilities Act, if you are a disabled person and you need a disability - related modification or accommodation to participate in this meeting, and then please contact the North Highlands Recreation and Park District Office at (916)332-7440. Requests must be made as early as possible and at least one full business day before the start of the meeting.



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

We have audited the financial statements of the governmental activities and each major fund of North Highlands Recreation and Park District as of and for the year ended June 30, 2023, and have issued our report thereon dated December 11, 2023. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit in our statement of work dated July 27, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings or issues

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by North Highlands Recreation and Park 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 2023.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no accounting estimates affecting the financial statements which were particularly sensitive or required substantial judgments by management.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Significant unusual transactions

We identified no significant unusual transactions.

Difficulties encountered in performing the audit

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

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Corrected misstatements

The following material and immaterial misstatements detected as a result of audit procedures were corrected by management:

- There were two expenditures to O'Dell engineering totaling \$32,706 that were incurred during fiscal year the year ended June 30, 2023 and paid subsequent to year end that were incorrectly recorded in fiscal year 2024. A correction was made to record the payable and expenditures for the year end June 30, 2023.
- A receipt of grant funding for the Sierra Creek Park project in the amount of \$80,623 was received after year end relating to reimbursable expenses that occurred in the current year and no receivable or revenue was recorded. A correction was made to record the receivable and revenue for the year end June 30, 2023.

Disagreements with management

For purposes of this communication, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the management representation letter dated December 11, 2023.

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 entity's financial statements or a determination of the type of auditors' 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.

Significant issues discussed with management prior to engagement

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

Required supplementary information

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

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

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Roseville, California
December 11, 2023

NORTH HIGHLANDS RECREATION AND PARK DISTRICT

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2023



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**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of North Highlands Recreation and Park District (District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the North Highlands Recreation and Park District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the North Highlands Recreation and Park District as of June 30, 2023, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the North Highlands Recreation and Park District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the North Highlands Recreation and Park District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of North Highlands Recreation and Park District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about North Highlands Recreation and Park District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2023, on our consideration of the North Highlands Recreation and Park District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the North Highlands Recreation and Park District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Highlands Recreation and Park District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Roseville, California
December 11, 2023

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

This section of the North Highlands Recreation and Park District's (District) annual financial report presents an analysis of the District's financial performance during the fiscal year ended June 30, 2023. This information is presented in conjunction with the audited basic financial statements, which follows this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2023

- The assets of the District exceeded liabilities and deferred inflows of resources at the close of the 2022-2023 fiscal year by \$10,477,267 (net position). Of this amount \$2,218,328 is restricted for developer deposits, \$1,245,566 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors, and \$7,013,373 is invested in capital assets (net).
- As of June 30, 2023, the district's governmental funds reported combined fund balances of \$3,531,059 of which \$1,312,731 is available to meet the District's current and future needs (unassigned fund balance).
- At the end of the fiscal year, unassigned fund balance for the general fund was \$1,312,731 or 44.8% of total general fund expenditures.
- The District had no long-term debt outstanding as of June 30, 2023.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

REQUIRED FINANCIAL STATEMENTS

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

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

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

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

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

REQUIRED FINANCIAL STATEMENTS (CONTINUED)

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

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

Notes to the Basic Financial Statements

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

Other Information

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

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

REQUIRED FINANCIAL STATEMENTS (CONTINUED)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Condensed Statements of Net Position
June 30, 2023 and 2022**

	2023	2022
Assets		
Current and Other Assets	\$ 4,498,949	\$ 3,852,947
Capital Assets	7,013,373	6,539,174
Total Assets	11,512,322	10,392,121
 Liabilities		
Current/Noncurrent Liabilities	957,594	872,046
 Deferred Inflows of Resources		
Deferred Inflows of Resources	77,461	197,643
 Net Position		
Investment in Capital Assets	7,013,373	6,539,174
Restricted Net Position	2,218,328	1,429,391
Unrestricted Net Position	1,245,566	1,353,867
Total Net Position	\$ 10,477,267	\$ 9,322,432

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

**Condensed Statements of Activities
Years Ended June 30, 2023 and 2022**

	2023	2022
Program Revenues:		
Recreation Services	\$ 1,278,094	\$ 133,401
Operating Grants and Contributions	147,462	122,991
 General Revenue:		
Property Taxes	1,964,220	1,796,655
Investment Income	111,505	34,971
Lease Revenue	120,182	120,182
Miscellaneous	112,868	47,308
Total Revenue	3,734,331	2,255,508
 Expenses:		
Recreation and Park Activities	2,579,496	2,333,874
 Changes in Net Position	1,154,835	(78,366)
Net Position - Beginning of Year	9,322,432	9,400,798
Net Position - End of Year	\$ 10,477,267	\$ 9,322,432

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

BUDGETARY HIGHLIGHTS

Total revenues for the General Fund were budgeted at \$2,869,604. The actual revenues for the 2022-2023 fiscal year were \$2,722,314 or \$147,290 less than the final budget. Revenues from miscellaneous sources were budgeted at \$706,500 but had an actual amount of \$112,868. This was due to the expected revenue being recorded in the Developer In-Lieu Fees fund.

Total expenditures for the General Fund were budgeted at \$3,706,342. The actual amount expended was \$2,928,186 or \$778,156 less than the final budget. This is primarily due to lower administration and maintenance costs than expected.

CAPITAL ASSETS

As of June 30, 2023, the District's net investment in capital assets totaled \$7,013,373 net of accumulated depreciation. The net investment in capital assets includes land, buildings and improvements, site improvements, and equipment. The capital assets are presented in the government-wide statement of net position.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The district has resumed normal operations after the lifting of Covid-19 restrictions in 2022. While some programs have not restarted (aquatics) due to access issues to local facilities, many new programs and events are being offered.

The district was allocated \$2.85 million from Proposition 68 to design and construct Sierra Creek Park. Sierra Creek Park is a 7.2-acre undeveloped parcel located off of Watt Avenue and Davidson Drive, Antelope, California. Design work has commenced, the bid process should begin in early 2024 with construction to begin late spring/early summer, 2024.

The Lakes at Antelope residential development project broke ground in late spring 2022. Lots are being sold and homes are now being constructed. The district anticipates receiving approximately \$2.5 million in developer impact fees from the project.

The district was allocated approximately \$206,000 in Proposition 68 Per Capita Grant Funds. These funds were earmarked for improvements at the Capehart Gymnasium. The project included new basketball flooring, bleachers, backboards and other improvements. The majority of the project was completed in November 2022, with one additional improvement to take place by the end of 2023.

Through the district's General Fund, the Board of Directors approved funding for a new Park and Recreation Facilities Master Plan. The master plan is in the review phase and will be completed by December 2023.

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (CONTINUED)

District Goals for FY 2023-2024

The district will focus on the design and construction of Sierra Creek Park; adopting and implementing the district's Park and Recreation Facilities Master Plan; adding targeted enhancements to the Capehart Gymnasium; implementation of the ADA Transition Plan, and expanding programming for seniors and teens. The district replaced their long-serving Administrator in 2023 and will be adding a new Parks and Facilities Superintendent in early 2024.

ADDITIONAL FINANCIAL INFORMATION

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

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023**

	Governmental Activities
ASSETS	
Current Assets:	
Cash and Investments	\$ 2,076,308
Accounts Receivable	80,623
Lease Receivable - Current	69,708
Interest Receivable	72,589
Restricted Cash and Investments	2,188,928
Total Current Assets	4,488,156
Noncurrent Assets:	
Lease Receivable - Noncurrent	10,793
Capital Assets:	
Land	3,623,569
Construction in Process	770,548
Structures and Improvements	9,270,433
Equipment	807,763
Total	14,472,313
Less: Accumulated Depreciation	7,458,940
Total Capital Assets	7,013,373
Total Assets	11,512,322
LIABILITIES	
Current Liabilities:	
Accounts Payable	104,761
Accrued Payroll	637
Deposits	43,017
Compensated Absences, Current	33,583
Total Current Liabilities	181,998
Noncurrent Liabilities:	
Unearned Revenue	742,014
Compensated Absences, Noncurrent	33,582
Total Noncurrent Liabilities	775,596
Total Liabilities	957,594
DEFERRED INFLOWS OF REVENUES	
Deferred Inflows Lease	77,461
NET POSITION	
Investment in Capital Assets	7,013,373
Restricted for Developer Deposits	2,218,328
Unrestricted	1,245,566
Total Net Position	\$ 10,477,267

See accompanying Notes to Basic Financial Statements.

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

	Program Revenues				
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	
GOVERNMENTAL ACTIVITIES					
Recreational Services	<u>\$ 2,579,496</u>	<u>\$ 1,278,094</u>	<u>\$ 147,462</u>	<u>\$ -</u>	<u>\$ (1,153,940)</u>
General Revenues:					
Property Taxes					1,964,220
Investment Income					111,505
Lease Revenues					120,182
Other Revenues					<u>112,868</u>
Total General Revenues					<u>2,308,775</u>
CHANGE IN NET POSITION					1,154,835
Net Position - Beginning of Year					<u>9,322,432</u>
NET POSITION - END OF YEAR					<u><u>\$ 10,477,267</u></u>

See accompanying Notes to Basic Financial Statements.

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
GOVERNMENTAL FUND
BALANCE SHEET
JUNE 30, 2023**

	General Fund	Developer In-Lieu Fees	Park Development Fees	Community Facilities District 2016-01	Total Governmental Funds
ASSETS					
Cash and Investments	\$ 2,076,308	\$ -	\$ -	\$ -	\$ 2,076,308
Accounts Receivable	80,623	-	-	-	80,623
Lease Receivable	80,501	-	-	-	80,501
Interest Receivable	39,370	2,736	28,802	1,681	72,589
Restricted Cash and Investments	-	801,778	1,274,043	113,107	2,188,928
	<u>-</u>	<u>801,778</u>	<u>1,274,043</u>	<u>113,107</u>	<u>2,188,928</u>
Total Assets	<u>\$ 2,276,802</u>	<u>\$ 804,514</u>	<u>\$ 1,302,845</u>	<u>\$ 114,788</u>	<u>\$ 4,498,949</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE					
LIABILITIES					
Accounts Payable	\$ 100,942	\$ -	\$ -	\$ 3,819	\$ 104,761
Accrued Payroll	637	-	-	-	637
Deposits	43,017	-	-	-	43,017
Unearned Revenue	742,014	-	-	-	742,014
Total Liabilities	<u>886,610</u>	<u>-</u>	<u>-</u>	<u>3,819</u>	<u>890,429</u>
DEFERRED INFLOWS OF RESOURCES					
Lease Revenue	77,461	-	-	-	77,461
FUND BALANCE					
Restricted for Developer Deposits	-	804,514	1,302,845	110,969	2,218,328
Unassigned	1,312,731	-	-	-	1,312,731
Total Fund Balance	<u>1,312,731</u>	<u>804,514</u>	<u>1,302,845</u>	<u>110,969</u>	<u>3,531,059</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 2,276,802</u>	<u>\$ 804,514</u>	<u>\$ 1,302,845</u>	<u>\$ 114,788</u>	<u>\$ 4,498,949</u>

See accompanying Notes to Basic Financial Statements.

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
GOVERNMENTAL FUND
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023**

Fund Balances of Governmental Funds	\$ 3,531,059
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not a current financial resources and are not included in the governmental funds.	7,013,373
Compensated absences that are not due and payable in the current period and are not reported in the funds.	<u>(67,165)</u>
Net Position of Governmental Activities	<u>\$ 10,477,267</u>

See accompanying Notes to Basic Financial Statements.

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2023**

	General Fund	Developer In-Lieu Fees	Park Development Fees	Community Facilities District 2016-01	Total Governmental Funds
REVENUES					
Property Taxes	\$ 1,836,297	\$ -	\$ -	\$ -	\$ 1,836,297
Intergovernmental Revenues	147,478	-	-	-	147,478
Charges for Current Services	441,611	804,551	-	-	1,246,162
Use of Money and Property	63,878	2,842	42,513	2,272	111,505
Development Fees	-	-	31,932	-	31,932
Special Assesments	-	-	-	127,907	127,907
Other Revenues	112,868	-	-	-	112,868
Lease Revenues	120,182	-	-	-	120,182
Total Revenues	<u>2,722,314</u>	<u>807,393</u>	<u>74,445</u>	<u>130,179</u>	<u>3,734,331</u>
EXPENDITURES					
Recreational Services:					
Salary and Benefits	1,320,378	-	-	60,425	1,380,803
Services and Supplies	739,262	17,090	6,753	38,812	801,917
Capital Outlay	868,546	-	-	-	868,546
Total Expenditures	<u>2,928,186</u>	<u>17,090</u>	<u>6,753</u>	<u>99,237</u>	<u>3,051,266</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>(205,872)</u>	<u>790,303</u>	<u>67,692</u>	<u>30,942</u>	<u>683,065</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	100,000	-	-	-	100,000
Transfers Out	-	-	(100,000)	-	(100,000)
Total Other Financing Sources (Uses)	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(105,872)	790,303	(32,308)	30,942	683,065
Fund Balances - Beginning of Year	<u>1,418,603</u>	<u>14,211</u>	<u>1,335,153</u>	<u>80,027</u>	<u>2,847,994</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,312,731</u>	<u>\$ 804,514</u>	<u>\$ 1,302,845</u>	<u>\$ 110,969</u>	<u>\$ 3,531,059</u>

See accompanying Notes to Basic Financial Statements.

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
GOVERNMENTAL FUND
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

Net Change in Fund Balances - Total Governmental Funds \$ 683,065

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

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

Cost of Capital Assets	868,546
Depreciation Expense	(394,347)

Compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in governmental funds.	(2,429)
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Change in Net Position of Governmental Activities	\$ 1,154,835
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See accompanying Notes to Basic Financial Statements.

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

Blended Component Unit

The District's Board of Directors approved the formation of the Community Facilities District (CFD) No. 2016-01 (Elverta Park) which authorized a special tax levy within CFD 2016-01 for the purpose of providing services for maintenance, servicing and replacement of existing park and recreation facilities for the 3.03 acre Elverta Park development and incidental expenses. The funds of the component unit are reported in Special Revenues Funds and are considered to be a blended component unit as they are part of the district's operations. Separate financial statements are not available for the District.

B. Basis of Accounting

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

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

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties. The District has no business-type activities to report.

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

Fund Financial Statements

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

The District reports the following major governmental funds:

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

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

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

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

D. Restricted Assets

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

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Capital Assets

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

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

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

Buildings and Improvements	10 to 30 Years
Site Improvements	10 to 20 Years
Equipment and Machinery	5 to 20 Years

F. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District recognizes unavailable revenue, which arises only under a modified accrual basis of accounting, and accordingly is reported only in the governmental funds balance sheet. The District has no such revenue in the current year. The District also recognizes deferred inflows of resources for leases receivable as outlined in item K of this footnote.

G. Compensated Absences

Compensated absences represent the vested portion of accumulated vacation. In accordance with GASB Statement 16, the liability for accumulated leave includes all salary - related payments that are directly and incrementally connected with leave payments to employees, such as retirement pay. A current liability is recorded in the government wide financial statements to account for these vested leave accruals, which are expected to be used within the next fiscal year. Liabilities for accumulated vacation and sick leave are not accrued in the District's governmental fund financial statements but are recorded as expenditures when paid.

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Equity Classifications

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

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

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

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

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

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Property Taxes

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

J. Use of Estimates

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

K. Leases

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, Leases. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

NOTE 2 CASH AND INVESTMENTS

Cash and investments at June 30, 2023 consisted of the following:

Imprest Cash	\$ 600
Cash and Investments in the County Treasurer	4,264,636
Total Cash and Investments	<u>\$ 4,265,236</u>

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

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

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

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

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

B. Disclosures Relating to Interest Rate Risk

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

B. Disclosures Relating to Interest Rate Risk (Continued)

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity (in Months)</u>	
		<u>12 Months or Less</u>	<u>13-48 Months</u>
Sacramento County	\$ 4,264,636	\$ 4,264,636	\$ -

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

C. Concentrations of Credit Risk

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

D. Custodial Credit Risk

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

E. Investment in Government Pool

Investments shown on the statement of net position and the balance sheet represent the District's share of the County of Sacramento Treasurer's cash and investment pool. The Treasurer's Pool and funds managed in a fiduciary capacity, are subject to oversight by the Treasury Oversight Committee. The value of pool shares that may be withdrawn is determined on an amortized cost basis, which differs from fair value. There are not restrictions or limitations on the District's ability to withdraw their funds from the pool. The County has not provided or obtained any legally binding guarantees during the fiscal year to support the value of pool shares. The County does not permit any voluntary participation in the Treasurer's Pool.

NOTE 3 PROPERTY, PLANT, AND EQUIPMENT

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

	Balance July 1, 2022	Additions	Retirement/ Adjustments	Transfers	Balance June 30, 2023
Capital Assets, Not Being Depreciated:					
Land	\$ 3,623,569	\$ -	\$ -	\$ -	\$ 3,623,569
Construction in Process	34,702	770,548	-	(34,702)	770,548
Total Capital Assets, Not Being Depreciated	3,658,271	770,548	-	(34,702)	4,394,117
Capital Assets, Depreciable:					
Buildings and Improvements	9,268,303	-	-	2,130	9,270,433
Equipment	677,193	97,998	-	32,572	807,763
Total Capital Assets, Being Depreciated	9,945,496	97,998	-	34,702	10,078,196
Less Accumulated Depreciation for:					
Structures and Improvements	(6,473,038)	(361,526)	-	-	(6,834,564)
Equipment	(591,555)	(32,821)	-	-	(624,376)
Total Accumulated Depreciation	(7,064,593)	(394,347)	-	-	(7,458,940)
Total Capital Assets, Being Depreciated, Net	2,880,903	(296,349)	-	34,702	2,619,256
Capital Assets, Net	<u>\$ 6,539,174</u>	<u>\$ 474,199</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,013,373</u>

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 4 LONG-TERM LIABILITIES

The following is a summary of changes in the long-term liabilities for the year ended June 30, 2023:

	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022	Due Within One Year
Government Activities:					
Compensated Absences	\$ 64,736	\$ 48,661	\$ 46,232	\$ 67,165	\$ 33,583

These funds are funded by the general fund.

NOTE 5 INTERFUND TRANSFERS

Transfers are for moving funds between the general fund, and the park development fees fund. The following are the interfund transfer balances as of June 30, 2023:

<u>Transfers From Other Funds</u>	<u>Transfers To Other Funds</u>	<u>Amount</u>
General Fund	Park Development Fees	\$ 100,000

NOTE 6 PARK DEDICATION FUNDS

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

NOTE 7 RISK MANAGEMENT

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

The Agreement for Formation provides that CAPRI will be self-sustaining through member premiums. CAPRI reinsures through commercial companies for claims up to \$10,000,000 for general and automobile liability and all risk property insurance, including boiler and machinery coverage, is subject to a \$2,000 deductible occurrence payable by the District. Financial statements for CAPRI are available at the District's office for fiscal year ended June 30, 2023.

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 RISK MANAGEMENT (CONTINUED)

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

There were no settlements in excess of insurance coverage in any of the three prior fiscal years.

NOTE 8 SITE LEASE AGREEMENTS

District as Lessor

The Entity, acting as lessor, leases grounds and facilities under long-term, noncancelable lease agreements. The leases expire at various dates through 2027 and provide for renewal options ranging from three months to six years. During the year ended June 30, 2023, the Entity recognized \$120,182 and \$8,240 in lease revenue and interest revenue, respectively, pursuant to these contracts.

SETA/Headstart Lease Agreement: The District entered into a site lease agreement with Sacramento Employment and Training Agency (SETA) whereby the District leases the Strizek Park Clubhouse to SETA for the Headstart program. The five (5) year lease was renewed July 1, 2019 and will expire June 30, 2024. Monthly payments of \$2,133 are due and payable at the end of each month. SETA will continue to be responsible for paying all utilities including electricity, gas, water, sewer, garbage, and waste removal.

District as Lessor (Continued)

Center Joint Unified School District Lease Agreement: The District entered into a five (5) year site ground lease agreement with Center Unified School District for the period of 2021-2026. The lease is for use of a small portion of Sierra Creek Park which the school district will place five portable modular classrooms and administrative facilities on. The lease agreement will go into effect September 30, 2021 and will expire September 30, 2026 unless extended by both parties. Lease payments to the district range from \$5,000 - \$5,500 annually over the course of the lease period with payments due August 1 of each year.

Jamie Throckmorton dba Something Extra Lease Agreement: The District entered into a (5) five year site lease agreement Jamie Throckmorton (dba, Something Extra) for the purpose of operating a daycare facility at the Capehart Youth Facility. The term of the lease starts September 1, 2018 and expires September 1, 2023. Rent starts at \$2,617 and is adjusted annually and will cap at \$3,085 beginning year 5 of the agreement. The agreement also requires the operator to pay for utility costs of \$820 per month.

All Star Specialty Events, Inc. Softball Lease Agreement: The District entered into a (5) five year lease agreement with a new operator - All Star Specialty Events, Inc. The term is January 1, 2019 expiring December 31, 2023. All Star Specialty Events, Inc. is authorized to run organized softball tournaments and other related programs at this facility. Rent is adjusted annually with a starting rent of \$5,000 per month capped at \$5,400 per month beginning 2023. The operator also will have a \$5,000 nonperformance deposit with the District. The operator is responsible for following all requirements, regulations, laws, etc. as noted in the agreement.

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 SITE LEASE AGREEMENTS (CONTINUED)

The following are the minimum future rentals:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2024	\$ 69,708	\$ 2,017	\$ 71,725
2025	5,012	484	5,496
2026	5,321	175	5,496
2027	460	-	460
Total Minimum Lease Payments	<u>\$ 80,501</u>	<u>\$ 2,676</u>	<u>\$ 83,177</u>

NOTE 9 DEFINED CONTRIBUTION PENSION PLAN

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

The District pays 100% of the contribution, based on eight percent of the employee's wage. Participant accounts are credited with the employer contributions. Investment earnings and losses as well as administrative expenses are also charged to participant accounts. Allocations are based on participant's earnings and losses of chosen investments or account balances. The benefit to which a participant is entitled is the benefit that can be provided from the vested portion of the participant's account. The employee becomes vested in the employer contribution after two years from date of hire. The employer contribution stays with the pool if the employee leaves before vesting. The District contributed \$62,873 during the 2022/23 fiscal year towards the qualifying employee's plan.

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

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

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

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 REVENUE LIMITATIONS IMPOSED BY CALIFORNIA PROPOSITION 218

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

NOTE 11 CONTINGENT LIABILITIES

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

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

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Property Taxes	\$ 1,762,650	\$ 1,769,650	\$ 1,836,297	\$ 66,647
Intergovernmental Revenues	123,000	143,064	147,478	4,414
Charges for Current Services	276,000	228,800	441,611	212,811
Use of Money and Property	6,500	6,500	63,878	57,378
Other Revenues	392,890	592,890	112,868	(480,022)
Lease Revenues	128,700	128,700	120,182	(8,518)
Total Revenues	<u>2,689,740</u>	<u>2,869,604</u>	<u>2,722,314</u>	<u>(147,290)</u>
EXPENDITURES				
Salary and Benefits	1,518,858	1,518,858	1,320,378	(198,480)
Services and Supplies	959,743	1,175,743	739,262	(436,481)
Capital Outlay	939,550	1,011,741	868,546	(143,195)
Total Expenditures	<u>3,418,151</u>	<u>3,706,342</u>	<u>2,928,186</u>	<u>(778,156)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES	(728,411)	(836,738)	(205,872)	630,866
OTHER FINANCING SOURCES				
Transfer In	<u>113,610</u>	<u>113,610</u>	<u>100,000</u>	<u>(13,610)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (614,801)</u>	<u>\$ (723,128)</u>	(105,872)	<u>\$ 617,256</u>
Fund Balance - Beginning of Year			<u>1,418,603</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,312,731</u>	

See accompanying Notes to Required Supplementary Information.

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE – COMMUNITY FACILITIES DISTRICT
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Use of Money and Property	\$ -	\$ -	\$ 2,272	\$ 2,272
Special Assessments	127,066	127,066	127,907	841
Total Revenues	<u>127,066</u>	<u>127,066</u>	<u>130,179</u>	<u>3,113</u>
EXPENDITURES				
Salary and Benefits	63,861	63,686	60,425	(3,261)
Services and Supplies	46,384	46,384	38,812	(7,572)
Total Expenditures	<u>110,245</u>	<u>110,070</u>	<u>99,237</u>	<u>(10,833)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 16,821</u>	<u>\$ 16,996</u>	30,942	<u>\$ 13,946</u>
Fund Balance - Beginning of Year			<u>80,027</u>	
FUND BALANCE - END OF YEAR			<u>\$ 110,969</u>	

See accompanying Notes to Required Supplementary Information.

**NORTH HIGHLANDS RECREATION AND PARK DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023**

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

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

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

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

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



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the North Highlands Recreation and Park District (District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 11, 2023.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

North Highlands Recreation and Park District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the North Highlands Recreation and Park District's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. North Highlands Recreation and Park District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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



CliftonLarsonAllen LLP

Roseville, California
December 11, 2023

**NORTH HIGHLANDS RECREATION AND PARKS DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2023**

2023-001

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: During our audit, we noted the district did not record a receivable in the amount of \$80,623 for grant revenue received after year end, but earned during the year.

Criteria or specific requirement: Generally accepted accounting principles require that revenues are recognized in the period they are earned.

Context: During our audit, we reviewed 4 receipts after year end and noted one receipt was for reimbursable grant revenue related to expenditures that were incurred in the current year.

Effect: Total accounts receivable and revenues were understated by \$80,623.

Cause: The District has been approved for grant funding for the Sierra Creek Park project. This revenue is reimbursable as soon as eligible expenditures are incurred, however the district does not receive the funds until weeks later as the grantor approves the reimbursement. The district works with the County for accounting services and the County required the district to submit all documents prior to the district receiving this funding. It was therefore missed during the year end closing process.

Recommendation: We recommend the District work with the County to record revenues in the proper period that might be received after year end.

Views of responsible officials: There is no disagreement with the audit finding.

