

**WASCO RECREATION AND  
PARKS DISTRICT**

**FINANCIAL STATEMENTS**

For The Year Ending June 30, 2012



**Wasco Recreation and Parks District**  
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**June 30, 2012**

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# Albert & Associates, LLP

Certified Public Accountants

## Independent Auditor's Report

The Board of Directors of the Wasco Recreation  
and Parks District, Wasco, California:

We have audited the accompanying financial statements of the governmental activities and each major fund of Wasco Recreation and Parks District (District), California, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States and the State Controller's Minimum Audit Requirements for California Special Districts. 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 the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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.

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 Wasco Recreation and Parks District, California, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2012, on our consideration of the 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 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 schedule of funding progress and budgetary comparison on pages 20 and 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 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. The District has not presented the management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

*Albert & Associates, LLP*

Wasco, California  
September 27, 2012

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# Wasco Recreation and Parks District

## STATEMENT OF NET ASSETS

June 30, 2012

	<u>Governmental Activities</u>
<b>Assets:</b>	
Cash	\$ 1,062,738
Capital Assets:	
Land	797,722
Depreciable Buildings, Property and Equipment, net of accumulated depreciation	<u>2,093,460</u>
Total Assets	<u>3,953,920</u>
<b>Liabilities:</b>	
Accounts Payable	18,857
Accrued Payroll and Benefits	16,076
Accrued Compensated Absences	<u>12,768</u>
Total Liabilities	<u>47,701</u>
<b>Net Assets:</b>	
Invested in Capital Assets, net of related debt	2,891,182
Unrestricted	<u>1,015,037</u>
Net Assets	<u>\$ 3,906,219</u>

The accompanying notes are an integral part of these financial statements.

# Wasco Recreation and Parks District

## STATEMENT OF ACTIVITIES

Year ended June 30, 2012

<u>Functions / Programs</u>	Program Revenues				Net (Expenses)
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Contributions and Grants</u>	<u>Capital Contributions and Grants</u>	<u>Revenues and Changes in Net Assets Governmental Activities</u>	
Governmental Activities:					
Recreation and Parks	\$ 720,454	\$ 137,870	\$ -	\$ 38,796	\$ (543,788)
Total Governmental Activities	\$ 720,454	\$ 137,870	\$ -	\$ 38,796	\$ (543,788)
General Revenues:					
Property Tax					554,941
Unrestricted investment earnings					8,096
Total General Revenues					563,037
Changes in Net Assets					19,249
Net Assets, Beginning					3,886,970
Net Assets, Ending					\$ 3,906,219

The accompanying notes are an integral part of these financial statements.



**Wasco Recreation and Parks District**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**June 30, 2012**

	General
<b>Assets:</b>	
Cash	\$ 1,062,738
Total Assets	\$ 1,062,738
<b>Liabilities:</b>	
Accounts Payable	\$ 18,857
Accrued Payroll and Benefits	16,076
Total Liabilities	34,933
<b>Fund Balance:</b>	
Unassigned	1,027,805
Total Fund Balance	1,027,805
Total Liabilities & Fund Balance	\$ 1,062,738

The accompanying notes are an integral part of these financial statements.

**Wasco Recreation and Parks District**  
**RECONCILIATION OF THE FUND BALANCE OF GOVERNMENTAL FUNDS TO THE**  
**NET ASSETS OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS**  
**June 30, 2012**

Fund balances of governmental funds \$ 1,027,805

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

Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the Governmental Funds Balance Sheet. However, the Statement of Net Assets includes those capital assets among the assets of the District as a whole.

Beginning Balance, net of depreciation	\$ 2,853,866	
Current Year Additions	168,711	
Current Year Depreciation	<u>(131,395)</u>	
Ending Balance, net of depreciation		2,891,182

Long-term liabilities are not due and payable in the current period, and therefore, are not reported as liabilities in the Governmental Funds Balance Sheet. All liabilities, both current and long-term, are reported in the Statement of Net Assets.

Compensated Absences	<u>(12,768)</u>
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Net assets of governmental activities	<u><u>\$ 3,906,219</u></u>
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**Wasco Recreation and Parks District**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE (DEFICIT) – GOVERNMENTAL FUNDS**  
Year ended June 30, 2012

	General
<b>Revenues:</b>	
Property Taxes	\$ 554,941
Programs and Concession	108,283
Maintenance and Service Agreements	29,587
Interest	8,096
Grants	38,796
Total Revenues	739,703
<b>Expenditures:</b>	
Salaries and Employee Benefits	325,420
Services and Supplies	268,257
Capital Outlay:	
Buildings and Improvements	168,012
Equipment	7,004
Total Expenditures	768,693
Revenues Over (Under) Expenditures	(28,990)
Fund Balance - Beginning	1,056,795
Fund Balance - Ending	\$ 1,027,805

The accompanying notes are an integral part of these financial statements.

**Wasco Recreation and Parks District**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
Year ended June 30, 2012

Net change in fund balance - total governmental funds	\$	(28,990)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Government funds report capital outlay as expenditures. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives, and reported as depreciation expense. This is the amount by which depreciation (\$131,395) was exceeded by capital expenditures (\$168,711) in the current period.</p>	37,316	
<p>Long-term compensated absence expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in government funds.</p>		<u>10,923</u>
Change in net assets of governmental activities	\$	<u><u>19,249</u></u>

The accompanying notes are an integral part of these financial statements.

# Wasco Recreation and Parks District

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2012

### Note 1 – Summary of Significant Accounting Policies

The accompanying financial statements of the Wasco Recreation and Parks District (the "District") have been prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The following summary of the District's more significant accounting policies is presented to assist the reader in interpreting the basic financial statements and other data in this report. These policies should be viewed as an integral part of the accompanying basic financial statements.

#### A - Reporting Entity

The District was established in 1948 and is governed by an appointed Board of Directors who serve without remuneration. The District covers the unincorporated and incorporated area of the Wasco Union Elementary School District.

The purpose of the District is to provide leisure time activities for the people residing in the District. This has been accomplished by the acquisition and development of park and recreation center areas, development of supervised programs, construction and maintenance of recreational facilities, and cooperative efforts with other agencies in the area which provide like services.

The District has defined its reporting entity in accordance with accounting principles generally accepted in the United States of America which provide guidance for determining which governmental activities, organizations, and functions should be included in the reporting entity. The Basic Financial Statements present information on the activities of the reporting entity, including all of the fund types and account groups of the District.

#### B - Basis of Presentation

##### Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. 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 and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses have been allocated to major functions in order to present a more accurate and complete picture of the cost of services. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

# Wasco Recreation and Parks District

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2012

### Note 1 – Summary of Significant Accounting Policies, (continued)

#### Fund Financial Statements

The accounting system of the District is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operation fund of the District or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c. The government has determined that a fund is important to the financial statement user.

The major funds are as follows:

#### Governmental Funds

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The revenues of the General Fund consist mostly of property tax and user fees.

#### Proprietary Funds

None

#### Fiduciary Fund

None

# Wasco Recreation and Parks District

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2012

### Note 1 – Summary of Significant Accounting Policies, (continued)

#### C - Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

##### Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus. The accounting objectives of the economic measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

##### Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available”. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Revenues which are susceptible to accrual include property taxes and special assessments that are levied for and due for the fiscal year and collected within 60 days after year-end. Charges for services and miscellaneous revenues are recorded as governmental fund type revenues when received in cash because they are not generally measurable until actually received. Grant funds and reimbursements of expenses under contractual agreements are reported in governmental fund types and are recorded as a receivable when earned rather than when susceptible to accrual. Generally, this occurs when authorized expenditures are made under the grant program or contractual agreement. Expenditures are recognized when the fund liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

# Wasco Recreation and Parks District

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2012

### Note 1 – Summary of Significant Accounting Policies, (continued)

#### D - Assets, Liabilities, Net Assets or Equity, and Other Financial Statement Items

##### Cash and Investments

California Government Code authorizes the District to invest in the following types of investments:

<u>Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Specified % Of Portfolio</u>	<u>Minimum Quality Requirements</u>
Local Agency Bonds	5 Years	None	None
U.S. Treasury Obligations	5 Years	None	None
State Obligations	5 Years	None	None
CA Local Agency Obligations	5 Years	None	None
U.S. Agency Obligations	5 Years	None	None
Bankers' Acceptance	180 Days	40%	None
Commercial Paper - Select Agencies	270 Days	25%	A-1
Commercial Paper - Other Agencies	270 Days	40%	A-1
Negotiable Certificates of Deposit	5 Years	30%	None
CD Placement Service	5 Years	30%	None
Repurchase Agreements	1 Year	None	None
Reverse Repurchase Agreements	92 Days	20%	None
Medium-Term Notes	5 Years	30%	A
Mutual and Money Market Fund	N/A	20%	Multiple
Collateralized Bank Deposits	5 Years	None	None
Mortgage Pass-Through Securities	5 Years	20%	AA
Bank/Time Deposits	5 Years	None	None
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool	N/A	None	Multiple
Local Agency Investment Fund (LAIF)	N/A	None	None

##### Receivables

All trade and tax receivables are shown net of an allowance for uncollectible accounts and estimated refunds due.

Assessed values are determined on an annual basis by the Kern County Assessor as of January 1. Taxes are levied annually and become a lien on real property at July 1. Taxes are due November 1 and February 1, and are delinquent if not paid by December 10 and April 10, respectively. In 1978, a state constitutional amendment (Proposition 13) provided that the tax rate be limited to 1% of market value, levied only by the County and shared with all other jurisdictions. Such limitation on the rate may only be increased through voter approval. The County collects property taxes and distributes them to taxing jurisdictions on the basis of the taxing jurisdiction's assessed valuations and on the tax rate for voter-approved debt.



# Wasco Recreation and Parks District

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2012

### Note 1 – Summary of Significant Accounting Policies, (continued)

#### Capital Assets and Depreciation

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, irrigation and drainage systems and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial cost of more than \$1,000 (\$5,000 for infrastructure) and an estimated life in excess of one year. 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.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements other than buildings	10 - 20
Machinery and Equipment	5 - 8
Infrastructure	20 - 75

#### Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

#### Net Assets

The government-wide financial statements utilize a net assets presentation. Net assets are categorized as follows:

**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 presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

**Unrestricted Net Assets** – This category represents net assets of the District, not restricted for any project or other purpose.

# Wasco Recreation and Parks District

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2012

### Note 1 – Summary of Significant Accounting Policies, (continued)

#### Fund Balance – Government Funds

GASB Statement No. 54 defines how fund balances of the governmental funds are presented in the financial statements based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. Fund balances are classified as follows:

**Nonspendable** – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

**Restricted** – Amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

**Committed** – Amounts that can be used only for specific purposes determined by a formal action by Board of Director resolution. This includes the budget reserve account.

**Assigned** – Amounts the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Amounts may be assigned by the District Manager.

**Unassigned** – All other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the board has provided otherwise in its commitment or assignment actions.

#### Appropriated Budget and Budgetary Control

The Board of Directors is required to adopt an annual budget resolution by July 1 of each fiscal year for the General Fund. The budget is presented for reporting purposes on a budgetary basis consistent with accounting principles generally accepted in the United States of America.

The level of appropriated budgetary control is at the functional departmental level. The District Manager may authorize transfers of appropriations within a departmental function. Expenditures may not legally exceed total departmental appropriations. Supplemental appropriations during the year must be approved by the Board of Directors by a majority vote. Unexpended or unencumbered appropriations lapse at the end of the fiscal year. Encumbered appropriations are reappropriated in the ensuing year's budget.

#### 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.

# Wasco Recreation and Parks District

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2012

### Note 2 – Cash and Investments

The following is a summary of the District's cash, cash equivalents, and investments with fiscal agents at June 30, 2012:

Demand Deposits	\$	59,071
External Cash Pool - County of Kern		<u>1,003,667</u>
Total	\$	<u>1,062,738</u>

#### Deposits:

**Custodial credit risk** – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has no deposit policy for custodial credit risk. As of June 30, 2012, the District has no exposure to custodial credit risk as the entire demand deposit balance was covered by the FDIC. However, at times throughout the year these balances may exceed the federally insured limit.

#### Investments:

The District had \$1,003,667 held by the County of Kern at June 30, 2012.

**Interest rate risk** – The District has no investment policy for interest rate risk.

**Credit quality rating** – The District has no investments in debt securities and therefore there is no credit quality rating to disclose. The District has no investment policy for credit quality ratings.

**Concentration of credit risk** – The District has no investment policy for concentration of credit risk.

**Custodial credit risk** – The District has no investment policy for custodial credit risk.

**Wasco Recreation and Parks District**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

**Note 3 – Capital Assets**

Capital asset activity for the year ended June 30, 2012 is as follows:

	Balance June 30, 2011	Additions	Deletions	Transfers	Balance June 30, 2012
Capital assets, not being depreciated					
Land	\$ 797,722	\$ -	\$ -	\$ -	\$ 797,722
Construction in Progress	-	-	-	-	-
Total Capital assets, not being depreciated	797,722	-	-	-	797,722
Capital assets, being depreciated					
Buildings and Park Improvements	3,348,480	151,826	(4,554)	-	3,495,752
Machinery and Equipment	366,856	16,885	(99,397)	-	284,344
Total Capital assets, being depreciated	3,715,336	168,711	(103,951)	-	3,780,096
Less accumulated depreciation for:					
Buildings and Park Improvements	1,336,853	120,627	(4,554)	-	1,452,926
Machinery and Equipment	322,339	10,768	(99,397)	-	233,710
Total accumulated depreciation	1,659,192	131,395	(103,951)	-	1,686,636
Total capital assets, being depreciated, net	2,056,144	37,316	-	-	2,093,460
Governmental activities capital assets, net	\$ 2,853,866	\$ 37,316	\$ -	\$ -	\$ 2,891,182

Depreciation charged to Recreation and Park Services on the Statement of Activities during the year was \$131,395.

**Note 4 – Public Entity Risk Pools**

The District maintains self-insurance programs for workers' compensation, property, and liability coverage through its membership in California Association For Park And Recreation Indemnity (CAPRI). CAPRI is composed of California public entities and is organized under a joint powers agreement pursuant to California Government Code. The purpose of CAPRI is to arrange and administer programs for the pooling of self-insurance losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance and administrative services. CAPRI is governed by a board consisting of representatives from member districts. The District does not exercise any control over activities of the Authority beyond its representation on the Board of Directors. Contributions are determined in advance of each membership year and members are subject to dividends and/or assessments.

The District did not have settled claims that exceeded the District's commercial insurance coverage in any of the past three years.

The District's coverage is as follows:

**Comprehensive General Liability coverage including Automobile Liability** coverage with a \$1 million limit per occurrence for personal injury and property damage to which coverage applies. CAPRI also purchases an excess policy from CSAC Excess Insurance Authority with limits of \$24 million excess of \$1 million. There is no deductible to the member district for General Liability claims.

# Wasco Recreation and Parks District

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2012

### Note 4 – Public Entity Risk Pools, (continued)

**Public Officials and Employee Liability** coverage has a \$25 million annual aggregate limit per member district because of wrongful act(s) which occurs during the coverage period for which the coverage applies. For each covered claim for employment practices liability there is a \$20,000 deductible payable by the member district or other covered party which shall be applied to any payment for judgment or settlement and to payments for defense costs. If member district consults with experienced council or CAPRI the deductible could be reduced to \$5,000.

**All-Risk Property Loss coverage including Boiler and Machinery** coverage is subject to a \$2,000 deductible per occurrence payable by the member district. All-Risk Property coverage has an annual aggregate limit of \$1 billion. Earthquake coverage has an annual aggregate limit of \$5 million for all member districts. Flood has an annual aggregate limit of \$10 million for all member districts. The deductible for all loss or damage arising from the risk of flood and/or earthquake is \$50,000 per occurrence or 5% of the value of the building, contents, and/or structure damage, whichever is greater.

**Workers' Compensation** coverage is within statutory limits. There is no deductible for the Workers' Compensation program.

The latest audited financial information available from CAPRI is for the year ended June 30, 2011 as follows:

Total Assets	\$ 24,485,785
Total Liabilities	<u>13,837,020</u>
Total Members' Equity	<u>\$ 10,648,765</u>
Total Revenue	\$ 6,851,534
Total Expenses	<u>5,343,020</u>
Net Increase in Members' Equity	<u>\$ 1,508,514</u>

### Note 5 – Retirement Plan

**Plan Description.** The District contributes to the Miscellaneous 2% at 60 Risk Pool under the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes within the Public Employees' Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through board resolution. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office – 400 P Street – Sacramento, California 95814.

**Funding Policy.** Active plan members are required to contribute 7% of their annual covered salary. The District makes the contributions required of District employees on their behalf and for their account. The District is also required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS

# Wasco Recreation and Parks District

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2012

### Note 6 – Retirement Plan, (continued)

Board of Administration. The required employer contribution rate for the fiscal year 2011-12 was 8.308% of annual covered salary. The contribution requirements of the plan members are established by state statute and the employer contribution rate is established and may be amended by CalPERS.

**Annual Pension Cost.** For the year ended June 30, 2012, the District's annual pension cost of \$23,267 for the plan was equal to the District's required and actual contributions. The required contribution was determined as part of the June 30, 2009, actuarial valuation using the entry age actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45% for miscellaneous members, and (c) 3.25% per year of cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of the plan was determined using techniques that smooth the effects of short-term volatility in the market value of the investments over a 15 year period. The unfunded actuarial accrued liabilities are being amortized as a level percentage of projected payrolls. The average remaining amortization period at June 30, 2009, was 7 years.

Three-Year Trend Information for the Plan			
Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2010	\$ 21,812	100%	\$ -
6/30/2011	17,035	100%	-
6/30/2012	23,267	100%	-

### Note 6 – Other Disclosures

#### Economic Dependency

Property taxes collected within the County of Kern represent 75% of the District's revenues. Contracts with the County of Kern and City of Wasco represent 4% of District revenues. Program and concession revenues from residents within the City of Wasco and surrounding areas represent 15% of the District's revenues.

#### Date of Management Evaluation

Management has evaluated subsequent events through September 27, 2012, the date on which the financial statements were available to be issued.

#### Excess of Expenditures over Appropriations

For the year ended June 30, 2012, some expenditures exceeded appropriations. The over expenditures were funded from current tax revenue, programs & contributions.

#### Contingencies

The District has a contingent property tax liability for its share of tax refund claims pending against the County of Kern attributable to taxes paid by property owners but disputed. Because both the amount of the contingency and the expected outcome cannot be determined, the liability has not been provided for in the financial statements. At June 30, 2011, the latest date reported by the County, the contingent liability was \$14,579.

**REQUIRED SUPPLEMENTARY INFORMATION**

# Wasco Recreation and Parks District

REQUIRED SUPPLEMENTARY INFORMATION  
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
MISCELLANEOUS 2% AT 60 RISK POOL  
SCHEDULE OF FUNDING PROGRESS  
Year ended June 30, 2012

<u>Valuation Date</u>	<u>Accrued Liabilities</u>	<u>Actuarial Assets</u>	<u>Liabilities (UL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>a % of Payroll</u>
6/30/2007	\$ 498,934,859	\$ 479,520,670	\$ 19,414,189	96.1%	\$ 171,052,819	11.350%
6/30/2008	532,483,463	513,147,099	19,336,364	96.4%	183,387,608	10.544%
6/30/2009	582,841,869	553,953,526	28,888,343	95.0%	184,319,666	15.673%
6/30/2010	624,423,437	594,492,164	29,931,273	95.2%	186,777,830	16.025%



**Wasco Recreation and Parks District**  
**SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES (DEFICITS), BUDGET AND ACTUAL**  
**GENERAL FUND**  
Year ended June 30, 2012

	General Fund		
	Original & Final Budget	Actual	Actual Over (Under) Budget
<b>Revenues:</b>			
Property Taxes	\$ 481,510	\$ 554,941	\$ 73,431
Programs and Concession	141,254	108,283	(32,971)
Maintenance and Service Agreements	60,700	29,587	(31,113)
Interest	8,000	8,096	96
Grants	53,260	38,796	(14,464)
Total Revenues	744,724	739,703	(5,021)
<b>Expenditures:</b>			
Salaries and Employee Benefits	357,254	325,420	(31,834)
Services and Supplies	226,650	268,257	41,607
Capital Outlay:			
Buildings and Improvements	130,000	168,012	38,012
Equipment	3,240	7,004	3,764
Total Expenditures	717,144	768,693	51,549
Revenues Over (Under) Expenditures	<u>27,580</u>	<u>(28,990)</u>	<u>(56,570)</u>
Fund Balance - Beginning		<u>1,056,795</u>	
Fund Balance - Ending		<u>\$ 1,027,805</u>	

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**ADDITIONAL REPORTING REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

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# Albert & Associates, LLP

Certified Public Accountants

## 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

The Board of Directors of the Wasco Recreation  
and Parks District, Wasco, California:

We have audited the financial statements of the governmental activities and each major fund of the Wasco Recreation and Parks District, California (District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 27, 2012. 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

Management of Wasco Recreation and Parks District, California, is responsible for establishing and maintaining effective 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.

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.

Our consideration of 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 internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses (items 2012-1 through 2012-2) that we consider to be significant deficiencies in internal control over financial reporting. 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.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our 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.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. 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 management, Board of Directors and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

*Albert & Associates, LLP*

Wasco, California  
September 27, 2012

**Wasco Recreation and Park District**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
Year ended June 30, 2012

**2012-1 Preparation of Financial Statement**

*Condition:* As is typical with most small government entities, management is not able to produce its own financial statements in conformity with U.S. generally accepted accounting principles.

*Effect:* There is an increased risk that reporting errors could go unnoticed.

*Cause:* The District's size and budget does not justify the cost to hire an employee trained in government accounting and reporting.

*Criteria:* Staff levels should be maintained to enable preparation of financial statements.

*Recommendation:* We recommend the District consider cost effective ways to be able to prepare its financial statements.

**2012-2 Segregation of Duties**

*Condition:* The District does not have adequate segregation of duties.

*Effect:* There is an increased risk that accounting errors could go unnoticed.

*Cause:* The District's size and budget limit the number of office accounting employees.

*Criteria:* Systems should be designed so employees do not oversee their own work.

*Recommendation:* We recommend the District design and implement policies and procedures to help mitigate the lack of segregation of duties. Utilize others within the District to be part of the process since hiring new employees is not cost effective

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