

**WASCO RECREATION AND
PARKS DISTRICT**

FINANCIAL STATEMENTS

For The Year Ending June 30, 2014

Wasco Recreation and Parks District

TABLE OF CONTENTS

June 30, 2014

Independent Auditor's Report	1
Basic Financial Statements	
Statement of Net Position	3
Statement of Activities	4
Balance Sheet – Governmental Funds	5
Reconciliation of the Fund Balance of Governmental Funds to the Net Position of Governmental Activities in the Statement of Net Position	6
Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit) – Governmental Funds	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	8
Notes to the Basic Financial Statements	9
Required Supplementary Information	
California Public Employees' Retirement System Miscellaneous 2% at 60 Risk Pool Schedule of Funding Progress	22
Supplemental Schedule of Revenues, Expenditures and Changes in the Fund Balance (Deficit), Budget and Actual – General Fund	23
Additional Reporting Required by Government Auditing Standards	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	27
Schedule of Findings	29

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Wasco Recreation and Parks District, California, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Wasco Recreation and Parks District, California, as of June 30, 2014, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of pension 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2014, on our consideration of Wasco Recreations and Parks 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 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 Wasco Recreation and Park District's internal control over financial reporting and compliance.

Albert & Associates, LLP

Wasco, California
August 26, 2014

Wasco Recreation and Parks District

STATEMENT OF NET POSITION

June 30, 2014

	<u>Governmental Activities</u>
Assets:	
Cash	\$ 1,178,108
Taxes Receivable	10,882
Capital Assets:	
Land	797,722
Depreciable Buildings, Property and Equipment, net of accumulated depreciation	<u>1,952,142</u>
Total Assets	<u>3,938,854</u>
Liabilities:	
Accounts Payable	19,904
Accrued Payroll and Benefits	15,041
Other Current Liabilities	6,937
Accrued Compensated Absences	6,379
Unearned Revenue	<u>25,000</u>
Total Liabilities	<u>73,261</u>
Net Position:	
Net Invested in Capital Assets	2,749,864
Unrestricted	<u>1,115,729</u>
Net Position	<u>\$ 3,865,593</u>

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

Wasco Recreation and Parks District

STATEMENT OF ACTIVITIES

Year ended June 30, 2014

<u>Functions / Programs</u>	Program Revenues				Net (Expenses)
Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	Revenues and Changes in Net Position Governmental Activities	
Governmental Activities:					
Recreation and Parks	\$ 836,841	\$ 145,370	\$ -	\$ -	\$ (691,471)
Total Governmental Activities	\$ 836,841	\$ 145,370	\$ -	\$ -	\$ (691,471)
General Revenues:					
Property Tax					610,705
Unrestricted investment earnings					4,240
Total General Revenues					614,945
Changes in Net Position					(76,526)
Net Position, Beginning					3,942,119
Net Position, Ending					\$ 3,865,593

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

Wasco Recreation and Parks District

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2014

	<u>General</u>
Assets:	
Cash	\$ 1,178,108
Taxes Receivable	<u>10,882</u>
Total Assets	<u>\$ 1,188,990</u>
Liabilities:	
Accounts Payable	\$ 19,904
Accrued Payroll and Benefits	15,041
Other Current Liabilities	6,937
Unearned Revenue	<u>25,000</u>
Total Liabilities	66,882
Fund Balance:	
Unassigned	<u>1,122,108</u>
Total Fund Balance	<u>1,122,108</u>
Total Liabilities & Fund Balance	<u>\$ 1,188,990</u>

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 POSITION OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION
 June 30, 2014

Fund balances of governmental funds \$ 1,122,108

Amounts reported for governmental activities in the statement of net position 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 Position includes those capital assets among the assets of the District as a whole.

Beginning Balance, net of depreciation	\$ 2,905,717	
Current Year Additions	7,236	
Current Year Depreciation	<u>(163,089)</u>	
Ending Balance, net of depreciation		2,749,864

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 Position.

Compensated Absences	<u>(6,379)</u>
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Net position of governmental activities	<u><u>\$ 3,865,593</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, 2014

		General
Revenues:		
Property Taxes	\$	610,705
Programs and Concession		117,872
Maintenance and Service Agreements		27,498
Interest		4,240
Grants		-
		-
Total Revenues		760,315
Expenditures:		
Curent:		
Salaries and Employee Benefits		386,230
Services and Supplies		286,537
Capital Outlay:		
Buildings and Improvements		5,771
Equipment		3,459
		3,459
Total Expenditures		681,997
Revenues Over (Under) Expenditures		78,318
Fund Balance - Beginning		1,043,790
Fund Balance - Ending	\$	1,122,108

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, 2014

Net change in fund balance - total governmental funds	\$	78,318
Amounts reported for governmental activities in the statement of activities are different because:		
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 capital expenditures (\$7,236) were exceeded by depreciation (\$163,089) in the current period.		(155,853)
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.		<u>1,009</u>
Change in net position of governmental activities	\$	<u><u>(76,526)</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, 2014

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 position 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 later 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, 2014

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, 2014

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 Position 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 position (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:

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 Position 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, 2014

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

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

Cash and Investments

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

Investment Type	Maximum Maturity	Maximum Specified % Of Portfolio	Minimum Quality Requirements
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.

Property Taxes

Secured property taxes are levied during September of each year for the fiscal year beginning with the preceding July 1 and ending the following June 30. They become a lien on real property on January 1 preceding the fiscal year for which taxes are levied. The Kern County Assessor establishes the value of the property on January 1. Taxes are payable in two installments on 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, 2014

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 Position

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

Net Invested In Capital Assets – This category groups all capital assets, including infrastructure, into one component of net position. 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 Position – 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 Position – This category represents net position of the District, not restricted for any project or other purpose.

Wasco Recreation and Parks District

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2014

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

When both restricted and unrestricted net position are available, it is the District's policy to use restricted net position first, and then unrestricted net position as they are needed.

Fund Balance – Government Funds

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 expenditures are incurred for purposes for which all restricted, committed, assigned, and unassigned fund balances are available, the District's policy is to apply in the following order, except for instances wherein an ordinance specifies the fund balance: Restricted, Committed, Assigned, and Unassigned.

The District does not have a formal minimum fund balance requirements.

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.

Wasco Recreation and Parks District

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2014

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

Use of Estimates

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

Note 2 – Cash and Investments

The following is a summary of the District's cash, cash equivalents, and investments with fiscal agents at June 30, 2014:

Demand Deposits	\$ 33,805
External Cash Pool - County of Kern	<u>1,144,303</u>
Total	<u>\$ 1,178,108</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, 2014, 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 \$1,144,303 held by the County of Kern at June 30, 2014.

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, 2014

Note 3 – Receivables

Receivables at June 30, 2014 consist of the following:

Taxes Receivable, net	\$	10,882
Allowance for doubtful accounts		-
Total	\$	10,882

Note 4 – Capital Assets

Capital asset activity for the year ended June 30, 2014 is as follows:

	Balance June 30, 2013	Additions	Deletions	Transfers	Balance June 30, 2014
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	3,570,055	5,154	-	-	3,575,209
Machinery and Equipment	379,421	2,082	-	-	381,503
Total Capital assets, being depreciated	3,949,476	7,236	-	-	3,956,712
Less accumulated depreciation for:					
Buildings and Park Improvements	1,580,478	130,019	-	-	1,710,497
Machinery and Equipment	261,003	33,070	-	-	294,073
Total accumulated depreciation	1,841,481	163,089	-	-	2,004,570
Total capital assets, being depreciated, net	2,107,995	(155,853)	-	-	1,952,142
Governmental activities capital assets, net	\$ 2,905,717	\$ (155,853)	\$ -	\$ -	\$ 2,749,864

Depreciation charged to Recreation and Park Services on the Statement of Activities during the year was \$163,089.

Note 5 – 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.

Wasco Recreation and Parks District

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2014

Note 5 – Public Entity Risk Pools, (continued)

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.

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 earthquake is \$50,000 per occurrence or 5% of the value of the building, contents, and/or structure damage, whichever is greater. The deductible for all loss or damage arising from the risk of flood is \$20,000.

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, 2013 as follows:

Total Assets	\$ 23,659,615
Total Liabilities	<u>11,272,097</u>
Total Members' Equity	<u>\$ 12,387,518</u>
Total Revenue	\$ 6,343,508
Total Expenses	<u>7,351,271</u>
Net Increase in Members' Equity	<u>\$ (1,007,763)</u>

Wasco Recreation and Parks District

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2014

Note 6 – 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 Board of Administration. The required employer contribution rate for the fiscal year 2013-14 was 8.583% 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, 2014, the District's annual pension cost of \$25,877 for the plan was equal to the District's required and actual contributions. The required contribution was determined as part of the June 30, 2011, actuarial valuation using the entry age actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases that vary by duration of service ranging from 3.30% to 14.20% for miscellaneous members, and (c) 3.00% per year of cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.75%. 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, 2011, was 9 years.

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2012	\$ 23,267	100%	-
6/30/2013	23,006	100%	-
6/30/2014	25,877	100%	-

Wasco Recreation and Parks District

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2014

Note 7 – Other Disclosures

Economic Dependency

Property taxes collected within the County of Kern represent 80% 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 16% of the District's revenues.

Date of Management Evaluation

Management has evaluated subsequent events through August 26, 2014, the date on which the financial statements were available to be issued.

Excess of Expenditures over Appropriations

For the year ended June 30, 2014, 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, 2013, the latest date reported by the County, the contingent liability was \$61,392.

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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, 2014

<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%
6/30/2011	682,375,804	639,237,247	43,138,557	93.7%	193,877,169	22.250%

Wasco Recreation and Parks District
SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE (DEFICIT), BUDGET AND ACTUAL
GENERAL FUND
Year ended June 30, 2014

	General Fund		
	Original & Final Budget	Actual	Actual Over (Under) Budget
Revenues:			
Property Taxes	\$ 550,000	\$ 599,823	\$ 49,823
Programs and Concession	140,500	117,872	(22,628)
Maintenance and Service Agreements	30,800	27,498	(3,302)
Interest	4,500	4,240	(260)
Grants	60,000	-	(60,000)
Total Revenues	785,800	749,433	(36,367)
Expenditures:			
Salaries and Employee Benefits	420,560	386,230	(34,330)
Services and Supplies	307,426	286,537	(20,889)
Capital Outlay:			
Buildings and Improvements	100,000	5,771	(94,229)
Equipment	4,000	3,459	(541)
Total Expenditures	831,986	681,997	(149,989)
Revenues Over (Under) Expenditures	<u>(46,186)</u>	67,436	<u>113,622</u>
Fund Balance - Beginning		<u>1,043,790</u>	
Fund Balance - Ending		<u>\$ 1,111,226</u>	

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**ADDITIONAL REPORTING REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

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

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

We have audited, in accordance with the 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 Wasco Recreation and Parks District, California, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Wasco Recreation and Parks District's basic financial statements, and have issued our report thereon dated August 26, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Wasco Recreation and Parks District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Wasco Recreation and Park District's internal control. Accordingly, we do not express an opinion on the effectiveness of Wasco Recreation and Parks 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 weakness or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be significant deficiencies (2014-1 through 2014-2).

Compliance and Other Matters

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

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Albert & Associates, LLP

Wasco, California
August 26, 2014

Wasco Recreation and Park District

SCHEDULE OF FINDINGS

Year ended June 30, 2014

2014-1 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.

2014-2 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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