

**McFARLAND RECREATION
AND PARK DISTRICT**

FINANCIAL STATEMENTS

For The Year Ending June 30, 2023

McFarland Recreation and Park District
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June 30, 2023

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Independent Auditor's Report

The Board of Directors of the McFarland Recreation
and Park District, McFarland, 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 McFarland Recreation and Park District, California, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the McFarland Recreation and Park District, California'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 McFarland Recreation and Park District, California, as of June 30, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of McFarland Recreation and Park District, California, 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 McFarland Recreation and Park District, California'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.

Auditor's 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 auditor's 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 generally accepted auditing standards 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 generally accepted auditing standards 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 the McFarland Recreation and Park District, California'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 the McFarland Recreation and Park District, California'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 retirement plan schedules and budgetary comparison information on pages 28 and 29 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 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 November 14, 2024, on our consideration of the McFarland Recreation and Park District, California'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 McFarland Recreation and Park District, California'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 McFarland Recreation and Park District, California's internal control over financial reporting and compliance.

Albert & Associates, LLP

Wasco, California
November 14, 2024

McFarland Recreation & Park District

STATEMENT OF NET POSITION

June 30, 2023

	<u>Governmental Activities</u>
Assets:	
Cash and Investments	\$ 491,399
Capital Assets:	
Land	98,200
Construction in Progress	-
Depreciable Assets, net of accumulated depreciation	<u>1,131,071</u>
Total Assets	<u>1,720,670</u>
Deferred Outflows of Resources:	
Deferred Pensions	<u>530,788</u>
Total Deferred Outflows of Resources	<u>530,788</u>
Liabilities:	
Accounts Payable	41,871
Accrued Wages and Benefits	17,653
Unearned Revenue	21,937
Loans Payable Due Within One Year	33,639
Due in More Than One Year:	
Loans Payable	283,120
Accrued Compensated Absences	56,566
Net Pension Liability	<u>1,146,141</u>
Total Liabilities	<u>1,600,927</u>
Deferred Inflows of Resources:	
Deferred Pensions	<u>209,150</u>
Total Deferred Inflows of Resources	<u>209,150</u>
Net Position:	
Net Invested in Capital Assets	912,512
Unrestricted	<u>(471,131)</u>
Net Position	<u>\$ 441,381</u>

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

McFarland Recreation and Park District
STATEMENT OF ACTIVITIES
Year ended June 30, 2023

<u>Functions / Programs</u>	Program Revenues			Net (Expenses) Revenues and Changes in Net Position Governmental Activities	
	Expenses	Charges for Services	Operating Contributions and Grants		Capital Contributions and Grants
Governmental Activities:					
Recreation and Parks	\$ 1,061,624	\$ 177,307	\$ 89,500	\$ 78,490	\$ (716,327)
Total Governmental Activities	\$ 1,061,624	\$ 177,307	\$ 89,500	\$ 78,490	\$ (716,327)
General Revenues:					
Property Tax					882,264
Unrestricted investment earnings					6,563
Miscellaneous					13,945
Total General Revenues					902,772
Changes in Net Position					186,445
Net Position, Beginning					254,936
Net Position, Ending					\$ 441,381

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

McFarland Recreation and Park District

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2023

	<u>General</u>
Assets:	
Cash and Investments	\$ 491,399
Receivables, net	<u>-</u>
Total Assets	<u>\$ 491,399</u>
Liabilities:	
Accounts Payable	\$ 41,871
Accrued Payroll and Benefits	17,653
Unearned Revenue	<u>21,937</u>
Total Liabilities	81,461
Fund Balance:	
Unassigned	<u>409,938</u>
Total Fund Balance	<u>409,938</u>
Total Liabilities & Fund Balance	<u>\$ 491,399</u>

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

McFarland Recreation and Park District
RECONCILIATION OF THE FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
NET POSITION OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION
June 30, 2023

Fund balances of governmental funds	\$	409,938
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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	\$ 1,295,692	
Current Year Additions	31,869	
Current Year Depreciation	<u>(98,290)</u>	
Ending Balance, net of depreciation		1,229,271

Deferred outflows of resources for the pension plan are reported in the Statement of Net Position.		530,788
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Deferred inflows of resources for the pension plan are reported in the Statement of Net Position.		(209,150)
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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.

Net Pension Liability	(1,146,141)	
Long-Term Loans	(316,759)	
Compensated Absences	<u>(56,566)</u>	
		<u>(1,519,466)</u>

Net position of governmental activities	\$	<u><u>441,381</u></u>
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The accompanying notes are an integral part of these financial statements.

McFarland Recreation and Park District

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (DEFICIT) – GOVERNMENTAL FUNDS Year ended June 30, 2023

	<u>General</u>
Revenues:	
Property Taxes	\$ 882,264
Programs and Concession	177,307
Impact Fees and Grants	167,990
Maintenance and Service Agreements	-
Interest	6,563
Miscellaneous	<u>13,945</u>
Total Revenues	1,248,069
Expenditures:	
Current:	
Salaries and Employee Benefits	845,089
Services and Supplies	474,780
Capital Outlay:	
Parks and Improvements	34,412
Debt Service:	
Principal Retirement	30,341
Interest and Finance Charges	<u>7,885</u>
Total Expenditures	<u>1,392,507</u>
Revenues Over (Under) Expenditures	(144,438)
Fund Balance - Beginning	<u>554,376</u>
Fund Balance - Ending	<u><u>\$ 409,938</u></u>

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

McFarland Recreation and Park 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, 2023

Net change in fund balance - total governmental funds	\$	(144,438)
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 (\$31,869) were exceeded by depreciation (\$98,290) in the current period.		(66,421)
Repayment of long-term debt principal is an expenditure in the government funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		30,341
The change in accrued net pension liability does not require the use of current financial resources and therefore is not reported as an expenditure in government funds.		347,868
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>19,095</u>
Change in net position of governmental activities	\$	186,445

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

McFarland Recreation and Park District

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2023

Note 1 – Summary of Significant Accounting Policies

The accompanying financial statements of the McFarland Recreation and Park 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 March 2, 1976, in accordance with the provisions of Section 5780 et. seq., of the Public Resources Code of the State of California and is governed by an elected Board of Directors who serve without remuneration. The District covers the unincorporated and incorporated area of the McFarland Unified 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.

McFarland Recreation and Park District

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2023

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

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.

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

McFarland Recreation and Park District

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2023

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.

McFarland Recreation and Park District

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2023

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

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

Cash and Investments

Cash balances of each of the District's funds are held in separate accounts.

Statutes authorize investments in obligations of the United States Treasury, agencies and instrumentalities, commercial paper, bankers' acceptances, repurchase agreements, money market funds, and investment pools.

Investments are primarily comprised of holdings in investment pools. Investments are stated at fair value.

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.

McFarland Recreation and Park District

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2023

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	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 and one-half of sick 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.

Pensions

The District implemented GASB Statements No. 68 "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27" and No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68".

In government-wide financial statements, retirement plans (pensions) are required to be recognized and disclosed using the accrual basis of accounting, regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

McFarland Recreation and Park District

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2023

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

In general, the District recognizes a net pension liability that represents the District's proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial reports provided by CalPERS. The net pension liability is measured as of the District's prior fiscal year-end. Changes in the net pension liability are recorded in the period incurred as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The change in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits as of the beginning of the measurement period and are recorded as a component of pension expense.

For purposes of measuring the net pension liability and deferred outflows/inflows or resources relating to pension and pension expense, information about the fiduciary net position of the District's pension plan with CalPERS and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period.

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.

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.

McFarland Recreation and Park District

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2023

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

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.

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.

McFarland Recreation and Park District

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2023

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

Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code Section 403b. The plan, available to all District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The assets, all property and rights purchased with such amounts and all income attributable to such amounts, are held in trust for the exclusive benefit of the participants and the beneficiaries. The plan is administered by independent plan administrators through administrative service agreements. The District does not have fiduciary responsibility for the plan assets.

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, 2023:

Cash on Hand	\$	10,222
Demand Deposits		193,028
External Cash Pool - County of Kern		<u>288,149</u>
Total	\$	<u><u>491,399</u></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, 2023, 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 categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All the District's investments are with the County of Kern External Cash Pool and are valued at \$288,149 using Level 1 inputs based on quoted market prices.

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.

McFarland Recreation and Park District

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2023

Note 3 – Capital Assets

Capital asset activity for the year ended June 30, 2023 is as follows:

	Balance June 30, 2022	Additions	Deletions	Transfers	Balance June 30, 2023
Capital assets, not being depreciated					
Land	\$ 98,200	\$ -	\$ -	\$ -	\$ 98,200
Construction in Progress	-	-	-	-	-
Total Capital assets, not being depreciated	98,200	-	-	-	98,200
Capital assets, being depreciated					
Buildings	2,223,128	-	-	-	2,223,128
Parks and Improvements	2,515,002	10,071	-	-	2,525,073
Machinery and Equipment	388,988	21,798	-	-	410,786
Total Capital assets, being depreciated	5,127,118	31,869	-	-	5,158,987
Less accumulated depreciation for:					
Buildings	(2,001,841)	(14,267)	-	-	(2,016,108)
Parks and Improvements	(1,544,240)	(78,862)	-	-	(1,623,102)
Machinery and Equipment	(383,545)	(5,161)	-	-	(388,706)
Total accumulated depreciation	(3,929,626)	(98,290)	-	-	(4,027,916)
Total capital assets, being depreciated, net	1,197,492	(66,421)	-	-	1,131,071
Governmental activities capital assets, net	\$ 1,295,692	\$ (66,421)	\$ -	\$ -	\$ 1,229,271

Depreciation charged to Recreation and Park Services on the Statement of Activities during the year was \$98,290.

Note 4 – Compensated Absences

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 75,661	\$ -	\$ (19,095)	\$ 56,566	\$ -

McFarland Recreation and Park District

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2023

Note 5 – Long-Term Liabilities

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year
Governmental Activities:					
Lease Purchase	\$ 347,100	\$ -	\$ (30,341)	\$ 316,759	\$ 33,639
Total Governmental Activities	\$ 347,100	\$ -	\$ (30,341)	\$ 316,759	\$ 33,639

Governmental Activities:

Capital Lease:

District received \$500,000 in 2017 as part of a lease purchase agreement with Zions Bank for the construction of restrooms, concession and storage buildings, and other improvements. Repayment terms are divided into a fixed portion and variable portion. Fixed portion payments are \$18,416 (principal and interest) payable semi-annually at an interest rate of 2.81% from 12/01/2017 to 12/01/2026. Variable portion payments are \$2,415 interest only payable semi-annually at an interest rate of 2.48% from 12/01/2017 to 12/01/2026 and then payments of \$20,831 (principal and interest) payable semi-annually at an interest rate of 2.48% from 06/01/2027 to 12/01/2031.

\$ 316,759

The annual requirements to amortize all bonded indebtedness and other long-term liabilities outstanding at June 30, 2023, are as follows:

Year Ending June 30	Lease Purchase	
	Principal	Interest
2024	\$ 33,639	\$ 8,023
2025	34,591	7,071
2026	35,570	6,092
2027	36,576	5,086
2028	37,519	4,143
2029-2032	138,864	6,972
Total	\$ 316,759	\$ 37,387

McFarland Recreation and Park District

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2023

Note 6 – Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,” and GASB Statement No. 65, “Items Previously Reported as Assets and Liabilities,” the District recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position that applies to a future reporting period and so will not be recognized as an expense or expenditure until then. The District has one item reportable on the Governmentwide Statement of Net Position that meets this criterion, the outflows from changes in the net pension liability.

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. A deferred inflows of resources is defined as an acquisition of net position that applies to a future reporting period and so will not be recognized as revenue until then. The District has one item reportable on the Governmentwide Statement of Net Position that meets this criterion, the inflows from changes in the net pension liability.

Note 7 – 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 the coverage applies. CAPRI also purchases an excess policy from PRISM with limits of \$24 million excess of \$1 million. There is a \$25,000 deductible for Law Enforcement Liability claims. 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 as they are incurred. If member district consults with experienced council or CAPRI prior to the event, the deductible could be reduced to \$5,000.

McFarland Recreation and Park District

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2023

Note 7 – Public Entity Risk Pools, (continued)

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 a limit of \$1 billion per occurrence shared by the membership. Boiler and Machinery has an excess limit of \$100 million. Earthquake coverage has an annual aggregate limit of \$5 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. For wildfire, CAPRI covers to \$150,000, and then picks up from \$5 million to limits. 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 is \$50,000.

Workers' Compensation coverage with \$350,000 in 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, 2023 as follows:

Total Assets	\$ 32,536,900
Total Liabilities	<u>19,538,362</u>
Total Members' Equity	<u>\$ 12,998,538</u>
Total Revenue	\$ 15,789,436
Total Expenses	<u>11,032,639</u>
Net Increase in Members' Equity	<u>\$ 4,756,797</u>

Note 8 – Retirement Plan

Plan Description. The District contributes to the Miscellaneous Plan (Plan) which is a cost sharing multiple employer defined benefit pension plan administered by the California Public Employees Retirement System (CalPERS). CalPERS acts as a common investment and administrative agent for participating public employers within the State of California. 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 which is publicly available and can be obtained at CalPERS' website under Forms and Publications.

Benefits Provided. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and plan beneficiaries. The District has two Tiers of benefits. Tier I – Applicable to employees hired prior to January 1, 2013, with a formula of 2.5% at age 55. Tier II – Applicable to new CalPERS members hired on or after January 1, 2013, as a result of Public Employees' Pension Reform Act of 2013 (PEPRA) with a formula of 2.0% at age 62.

McFarland Recreation and Park District

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2023

Note 8 – Retirement Plan, (continued)

As of the June 30, 2022 measurement date, the district had the following employees covered by benefit term:

	Tier I	Tier II
Active	4	5
Transferred	5	1
Seperated	1	3
Retired	7	-

Contributions. Active plan members are required to contribute 8% of their annual covered salary for Tier I and 6.25% for Tier II. The District makes 100% of the contributions required of District employees on their behalf and for their account for Tier I. The District is also required to contribute the actuarially determined annual required contributions necessary to fund the plans. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The average required employer contribution rate for the fiscal year 2022-23 was 11.59% (Tier I) and 7.47% (Tier II) 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.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources. At June 30, 2023, the District reported a liability of \$1,146,141 for its proportionate share of the net pension liability (total pension liability of \$3,431,984 less plan fiduciary net position of \$2,285,843). The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2022, the District's proportion was 0.02449 percent, which was a decrease of 0.01464 from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$210,630. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 117,446	\$ -
Difference between Expected and Actual Experience	23,017	15,416
Difference between Projected and Actual Investment Earnings	209,943	-
Differences between Employer's Contributions and Proportionate Share of Contributions	43,144	-
Changes in Employer's Proportion	-	193,734
Pension Contributions Made Subsequent to Measurement Date	137,238	-
Total	\$ 530,788	\$ 209,150

McFarland Recreation and Park District

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2023

Note 8 – Retirement Plan, (continued)

The \$137,238 of deferred outflows of resources resulting from the District’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30,</u>		
2024	\$	31,898
2025		18,270
2026		5,825
2027		128,407
2028		-
Thereafter		-
	<u>\$</u>	<u>184,400</u>

Actuarial Methods and Assumptions. The total pension liability for the June 30, 2022 measurement period was determined by an actuarial valuation as of June 30, 2021, with update procedures used to roll forward the total pension liability to June 30, 2022. The total pension liability was based on the following assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Investment Rate of Return	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table *	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

* The mortality table used was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% Of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

Change of Assumption. Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%.

McFarland Recreation and Park District

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2023

Note 8 – Retirement Plan, (continued)

Long-term Expected Rate of Return. The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

The long-term expected real rates of return by asset class can be found in CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2022.

Discount Rate. The discount rate used to measure the total pension liability for PERF C was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability calculated using a discount rate of 6.90%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90%) or 1 percentage-point higher (7.90%) than the current rate:

	Discount Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
Plan's Net Pension Liability/(Asset)	\$ 1,613,983	\$ 1,146,141	\$ 761,224

Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued CalPERS financial report. The plan fiduciary net position may differ from the plan assets reported in the actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included in fiduciary net position. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early CAFR closing and final reconciled reserves.

McFarland Recreation and Park District

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2023

Note 8 – Retirement Plan, (continued)

Amortization of Deferred Outflows and Deferred Inflows of Resources. The Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments is amortized over a five-year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period, and the remaining Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments is amortized over the remaining amortization periods. The Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments in the Schedule of Collective Pension Amounts represents the unamortized balance relating to the current measurement period and the prior measurement periods on a net basis.

Deferred Outflows of Resources and Deferred Inflows of Resources relating to Differences Between Expected and Actual Experience and Changes of Assumptions are amortized over the Expected Average Remaining Service Lifetime (EARSL) of members provided with pensions through the Plan determined as of the beginning of the related measurement period. The EARSL for 2ERF C for the June 30, 2022 measurement date is 3.7 years, which was obtained by dividing the total service years of 574,665 (the sum of remaining service lifetimes of all active employees) by 153,587 (the total number of participants: active, inactive, and retired) in PERC. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Payable to the Pension Plan. At June 30, 2023, there is no outstanding amount of contributions payable to the pension plan required for the year ended June 30, 2023.

Note 9 – Unearned Revenue

Quimby Act fees are collected from developers under the Quimby Act. Development Impact Fees are collected from developers under City ordinances. These fees are deposited with the District and must be used for developing, improving, and enhancing public recreation and parks facilities. The District does not recognize these fees as revenue until expenditures for capital projects are made. These fees revert to lot owners if unused within five years of the date of deposit. The total amount of unused fees on deposit is accounted for as assets and deferred revenue. The amount of such unused fees at June 30, 2023, identified by the year deposited, is as follows:

<u>Year Deposited</u>	<u>Unearned Fees</u>
6/30/2019	\$ 17,705
6/30/2020	2,116
6/30/2021	2,116
Total	<u>\$ 21,937</u>

McFarland Recreation and Park District

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2023

Note 10 – Other Disclosures

Economic Dependency

Property taxes collected within the County of Kern represent 71% of the District's revenues. Program, contract, and concession revenues from residents within the City of McFarland and surrounding areas represent 14% of the District's revenues.

Date of Management Evaluation

Management has evaluated subsequent events through November 14, 2024, the date on which the financial statements were available to be issued.

Excess of Expenditures over Appropriations

For the year ended June 30, 2023, some expenditures exceeded appropriations. The over expenditures were funded from current tax revenue.

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, 2022, the latest date reported by the County, the contingent liability was \$27,031.

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REQUIRED SUPPLEMENTARY INFORMATION

McFarland Recreation and Park District

RETIREMENT PLAN SCHEDULES

Year ended June 30, 2023

Schedule of District's Proportionate Share of the Net Pension Liability and Related Ratios as of the Measurement Date

	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>
Proportion of the Net Pension Liability/(Asset)	0.02449%	0.03913%	0.02507%	0.02520%	0.02548%
Proportionate Share of the Net Pension Liability/(Asset)	\$ 1,146,141	\$ 743,089	\$ 1,057,600	\$ 1,009,046	\$ 960,455
Covered-Employee Payroll	\$ 423,540	\$ 396,667	\$ 355,620	\$ 337,672	\$ 230,626
Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	270.61%	187.33%	297.40%	298.82%	416.46%
Proportionate Share of the Fiduciary Net Position as a Percentage of the District's Total Pension Liability	66.60%	76.90%	65.39%	69.72%	69.64%
Proportionate Share of Aggregate Employer Contributions	\$ 118,568	\$ 97,275	\$ 89,272	\$ 96,273	\$ 83,924
	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>	
Proportion of the Net Pension Liability/(Asset)	0.02486%	0.02188%	0.02232%	0.00916%	
Proportionate Share of the Net Pension Liability/(Asset)	\$ 979,932	\$ 760,125	\$ 612,346	\$ 570,233	
Covered-Employee Payroll	\$ 197,391	\$ 253,356	\$ 226,504	\$ 238,812	
Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	496.44%	300.02%	270.35%	238.78%	
Proportionate Share of the Fiduciary Net Position as a Percentage of the District's Total Pension Liability	67.97%	71.45%	75.59%	76.81%	
Proportionate Share of Aggregate Employer Contributions	\$ 78,670	\$ 70,455	\$ 66,354	\$ 51,073	

Schedule of District Contributions

	<u>Year Ended</u>				
	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>
Contractually Determined Contribution (Actuarially)	\$ 146,479	\$ 133,587	\$ 118,215	\$ 104,713	\$ 85,891
Contributions in Relation to the Actuarially Determined Contribution	(146,479)	(133,587)	(118,215)	(104,713)	(85,891)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>
Covered-Employee Payroll	\$ 423,540	\$ 396,667	\$ 355,620	\$ 337,672	\$ 230,626
Contributions as a Percentage of Covered-Employee Payroll	34.58%	33.68%	33.24%	31.01%	37.24%
	<u>Year Ended</u>				
	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	
Contractually Determined Contribution (Actuarially)	\$ 66,244	\$ 66,057	\$ 43,000	\$ 52,510	
Contributions in Relation to the Actuarially Determined Contribution	(66,244)	(66,057)	(43,000)	(52,510)	
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	
	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	
Covered-Employee Payroll	\$ 197,391	\$ 253,356	\$ 226,504	\$ 238,812	
Contributions as a Percentage of Covered-Employee Payroll	33.56%	26.07%	18.98%	21.99%	

Notes to Schedules

Until a full 10-year trend is compiled, the information will be presented for those years for which information is available. Historical information is required only for measurement periods for which GASB 68 is applicable.

Change in Assumptions: The discount rate was changed from 7.65% at 6/30/2016 to 7.15% at 6/30/2017 and to 6.90% at 6/30/2022 measurement dates.

McFarland Recreation and Park District
SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE (DEFICIT), BUDGET AND ACTUAL
GENERAL FUND
Year ended June 30, 2023

	General Fund		
	Original & Final Budget	Actual	Actual Over (Under) Budget
Revenues:			
Property Taxes	\$ 800,000	\$ 882,264	\$ 82,264
Programs and Concession	97,000	177,307	80,307
Impact Fees and Grants	300,000	167,990	(132,010)
Maintenance and Service Agreement	-	-	-
Interest	3,000	6,563	3,563
Miscellaneous	-	13,945	13,945
Total Revenues	1,200,000	1,248,069	48,069
Expenditures:			
Salaries and Employee Benefits	884,135	845,089	(39,046)
Services and Supplies	389,500	474,780	85,280
Capital Outlay:			
Parks and Improvements	206,774	34,412	(172,362)
Debt Service:			
Principal Retirement	30,341	30,341	-
Interest and Finance Charges	7,885	7,885	-
Total Expenditures	1,518,635	1,392,507	(126,128)
Revenues Over (Under) Expenditures	<u>\$ (318,635)</u>	(144,438)	<u>\$ 174,197</u>
Fund Balance - Beginning		<u>554,376</u>	
Fund Balance - Ending		<u>\$ 409,938</u>	

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**ADDITIONAL REPORTING REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

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Albert & Associates, LLP

Certified Public Accountants

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 McFarland Recreation
and Park District, McFarland, 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 McFarland Recreation and Park District, California, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise McFarland Recreation and Park District's basic financial statements, and have issued our report thereon dated November 14, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered McFarland Recreation and Park 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 McFarland Recreation and Park District's internal control. Accordingly, we do not express an opinion on the effectiveness of McFarland Recreation and Park 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 certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-1 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether McFarland Recreation and Park 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*.

McFarland Recreation and Park District, California's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on McFarland Recreation and Park District, California's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. McFarland Recreation and Park District, California'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 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
November 14, 2024

McFarland Recreation and Park District

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2023

2023-1 Bank account reconciliations

Criteria and Condition: The District should regularly reconcile all bank balances.

Context: The District did not reconcile all bank balances in a timely manner.

Cause: The District did not follow its internal control procedures.

Effect: There is an increased risk that reporting errors or fraudulent activities could go unnoticed.

Recommendation: The District should allocate adequate resources to the accounting department to ensure staff has time to perform all assigned duties including the monthly bank reconciliations. Also, management should verify the bank reconciliations are performed in a timely manner.

Management Response: Management acknowledges this issue and ensures that bank balances will be reconciled in a timely fashion. This issue was caused by a lack of staffing/staff turnover in the year, inclusive of program manager, receptionist and Fun Skills teacher positions that took time away from the Administrative Supervisor and District Manager. Staff are trained and staffed to the point where the issue is resolved. Since MRPD has done more than one audit this year, this may show up again in next year's findings. After that point, the finding should not show again.

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