

Livermore Area Recreation and Park District Staff Report

TO: Chair Faltings and Board of Directors

FROM: Mathew Fuzie, General Manager

PREPARED BY: Jeffrey Schneider, Administrative Services Manager
Julie Dreher, Finance Officer

DATE: February 9, 2022

SUBJECT: Agenda Item 4.1: District Audit for Fiscal Year 2020-2021

COMMITTEE: Finance Committee recommended acceptance (January 24, 2022)

RECOMMENDATION: That the Board of Directors accept the Fiscal Year 2020-2021 District Audit.

BACKGROUND: District auditors, James Marta & Company, LLP, conducted an annual audit of the District's financial reporting and processes for Fiscal Year (FY) 2020-21 and their work is reflected in **Attachment A** ("Independent Auditor's Report") and **Attachment B** ("Communication with Those Charged with Governance"). Embedded in Attachment A is Management's Discussion and Analysis (MD&A), which is Staff's contribution to the Auditor's Report and meant to complement the work of James Marta and assist the Board and other readers of the Report in gauging the financial results of the District for FY 2020-21. Attachment C is a copy of a PowerPoint presentation, compiled by James Marta, that will be reviewed with the Board in today's meeting.

AUDIT RESULTS:

1. James Marta & Company conducted a comprehensive and thorough examination of our financial records, policies and procedures and did so in an open, constructive manner in working with LARPD Finance.
2. The District received a clean audit. No deficiencies in internal controls were identified and the financial statements included in Attachment A represent, fairly, the financial position of the District.
3. What follows is an excerpt from the MD&A: While the Auditor's report reflects the use of full accrual accounting, the District's regular budget and actual reporting to its Board is based on general fund accounting, though we isolate Capital Improvement Program (CIP) related income (AB1600 developer fees) and spending from on-going operations, as well as one-time funding from other

sources, such as the proceeds from the June, 2021 issuance of Pension Obligation Bonds (POBs), in our regular financial reviews. In reviewing results vs Budget, this narrative will focus on actual results versus the Final Budget, approved mid-year, which reflected the District's enhanced vision of what programming could be offered during the COVID-19 pandemic and thus what could be expected from operating revenues and related staffing requirements.

- The District's net change in the District's general fund of \$611,817 reflects the following:
 1. Operating results prior to CIP and POB: \$630,456 (vs the Budget of \$780,875)
 - a. While many accounts have modest variances vs the Budget, the variance of \$150,419 is primarily due to debt service related to the District's PG&E on-bill-financing, which amounted to \$157,631 and was treated as a balance sheet item in the budgeting process but which will be included in future General Fund Budgets in the Debt Service expense line.
 2. Capital project spend of \$172,820, which was \$18,639 in excess of AB1600-related income of \$154,181 and is simply related to the timing of project outlays and related AB1600 inflows from the City of Livermore, who administers these funds on behalf of itself and the District.
 3. Of note: the issuance of POBs had no impact on the General Fund balance in FY20-21. Other Financing Sources includes \$12,875,000 of bond proceeds as well as the "Payment of Pension Obligation" to ACERA to reduce the Unfunded Accrued Actuarial Liability of \$12,611,250; the balance of the outlays related to the issuance of the POBs is associated with the costs of issuance of the bonds (\$263,750), which is included in the District's Professional Services expense line.
- Operating revenue from services and property/parcel taxes was \$17,457,261, or \$98,067 (0.6%) below the Final FY20-21 Budget of \$17,555,328. Revenue from programs and services of \$4,214,550 was \$47,391, or 1.1% above the Final Budget, while Tax revenues of \$13,242,711 were \$145,458 (1.1%) below the Final Budget. In the challenging pandemic-dominated environment that made predictions extraordinarily challenging, the District's Community Services organization (ESS, Senior Services, Preschool, Open Space) exceeded Budget by \$15,122, or 0.5%, on a budget of \$2,994,747. Recreation programs also performed well versus Budget, overcoming the pandemic's influence on facility rentals (where revenues fell short of Budget by \$34,316) to achieve a \$16,905 (2.1%) favorable variance overall on a budget of \$787,510.
- Operating expense, including capital equipment but not CIP, was \$17,081,760, or \$316,102 (1.9%) above the Final Budget, but this is largely associated with

the cost of issuance of the POBs, issued in late June, 2021, which had not been foreseen in the budgeting process and which amounted to \$263,750. The District's spending on services and supplies was prudent and in line with Budget, and the District made difficult, but necessary, organizational changes and carefully managed its part-time staffing levels that together drove significant reductions to salary and benefits expenses, where a favorable variance versus Budget of \$73,480 (0.6%) was realized on a Budget of \$11,922,102.

- CIP spending in FY20-21 was curtailed due to the pandemic and amounted to \$172,820. \$62,090 was spent to replace the tennis court fencing at May Nissen, \$32,827 on the last phase of the Sunset Park Playground Renovation, \$5,100 on preliminary design work on the Sunken Gardens Pump Track, and \$72,803 on the initial design work for the replacement of two Michell School modular classrooms. Of the aforementioned projects, only the May Nissen tennis court fencing required the use of General Funds, with the rest coming from AB1600 developer fees.
4. One of the fundamental purposes of an audit is to have an independent qualified third party (auditor) examine our financial records and procedures and to attest to their reliability. Our auditor's opinion for fiscal year ending June 30, 2021, is at the top of page two of the Independent Auditor's Report: "In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general fund and the aggregate remaining fund information of the Livermore Area Recreation & Park District as of June 30, 2021, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts."
 5. James Marta & Company's audit included assessing the District's internal controls for the purpose of expressing their opinion on the financial statements. In this regard, the auditor's comment is favorable: "...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."

Attachments:

- A. Financial Statements with Independent Auditor's Report
- B. Communication with Those Charged with Governance
- C. PowerPoint Presentation created by James Marta