



**EAST BAY REGIONAL PARK DISTRICT
PARK ADVISORY COMMITTEE
AGENDA STAFF REPORT**

DATE October 28, 2024
TITLE Support for the 2023 Annual Comprehensive Financial Report
DIVISION Finance and Management Services
FROM Deborah Spaulding, Assistant General Manager of Finance & Management Services/CFO
Deborah Spaulding, Assistant General Manager of Finance & Management Services/CFO

APPROVED

RECOMMENDATION

The General Manager requests that the Park Advisory Committee recommend to the Board of Directors the acceptance of the 2023 Annual Comprehensive Financial Report (ACFR).

BACKGROUND

State law and Board policy calls for the East Bay Regional Park District (Park District) to undergo an independent audit of its financial statements on an annual basis. The Park District contracts with the Certified Public Accounting firm of Brown Armstrong Accountancy Corporation (Brown Armstrong) as the Park District's independent auditor. They have completed their audit for the period ended December 31, 2023. Based on their review, Brown Armstrong's Independent Auditor's Report confirms that the Park District's financial statements, in all material respects, fairly present the financial position of the Park District and are in conformance with generally accepted accounting principles. Furthermore, during fieldwork, Brown Armstrong found no material weaknesses in the Park District's internal control structure. In other words, the Park District has received a "clean" audit opinion with no exceptions or qualifications expressed.

A review of the ACFR will be presented to the Board Finance Committee on October 23, 2024 and any comments will be communicated to the Board of Directors. The final financial reports will be presented to the entire Board of Directors at the November 19, 2024 Board meeting.

ANALYSIS

Summary

The complete reconciliation of the 2023 fiscal year, as recorded in detail in this report, demonstrates the continuing effectiveness of the Park District's sustainable financial approach and the strong support of the Board of Directors toward financial transparency and long-term planning. The ACFR records the continuing commitment of public funds to providing services through expenditures on land acquisition, development projects, employee wages and benefits, debt service on bonds, and all required and recommended governmental activities necessary to operate the Park District. These year-end financial results will be used as the basis for making recommendations to the Board of Directors for future budgets.

The Government-wide Statement of Net Position (page 31) displays the Park District's total net position as of December 31, 2023. Net position totaled \$1,065.2 million, which increased by \$71.2 million in 2023 primarily due to an increase in capital assets (land acquisitions), investment earnings, an increase in the Park District's net OPEB asset value, and a reduction in long-term liabilities related to principal and interest payments on the Park District's bonds.

For 2023, governmental funds had an overall increase in fund balance of \$13.3 million while the net position of the proprietary fund increased by \$0.8 million.

- General Fund ending fund balance increased \$6.9 million (page 38). This is attributed to increased property tax revenue, investment earnings, as well as personnel and operating expenditures below budget.
- Debt Service Fund ending fund balance increased \$1.3 million (page 38), due to the collection of debt related tax levies.
- Project Fund ending fund balance increased \$5.3 million (page 38), due to the transfer in of new bond proceeds for acquisition and development projects.
- Non-major governmental funds decreased by \$0.1 million (page 39) and include special revenue funds and permanent funds established for legal endowments.
- Proprietary (Internal Service) Fund net position increased \$0.8 million (page 45) primarily due to an increase in internal charges for services to support the increase in workers' compensation and general liability claims.

Detail

The Financial Section of the Park District's 2023 ACFR begins with the Independent Auditors' Report (page 13), which expresses their opinion that:

"the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of December 31, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America."

Management's Discussion and Analysis (MD&A) follows and includes financial highlights for the year (page 17), an overview of the financial statements (pages 18-19), and an analysis of the government-wide (pages 20-22) and the fund financial statements, as noted below (pages 22-25).

Additionally, General Fund budget highlights are included (page 23), as are capital asset and debt administration summaries (pages 25-26). Finally, economic factors impacting the 2023 and 2024 budgets are briefly discussed (pages 26-27).

The Government-wide Statement of Net Position and Statement of Activities follow the MD&A. These government-wide statements are reported on the full accrual basis, unlike the Governmental Fund Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances, which are presented on the modified accrual basis. The major differences between full accrual and modified accrual are that full accrual recognizes revenues earned but unavailable, includes depreciation expense, and does not include capital asset and debt service principal costs as expenses. A detailed reconciliation between government-wide and governmental statements are included on pages 37 and 40-41 of the ACFR.

Summary Statement of Net Position
Total Primary Government
As of December 31, 2023, and 2022 (in thousands)

Governmental Activities			
	2023	2022	Change From Prior Year
Assets:			
Current and other assets	\$ 575,919	\$ 553,256	\$ 22,663
Capital assets, net	823,504	784,976	38,528
Total assets	<u>1,399,423</u>	<u>1,338,232</u>	<u>61,191</u>
Deferred outflows of resources	<u>65,911</u>	<u>73,094</u>	<u>(7,183)</u>
Liabilities:			
Current and other liabilities	29,477	25,414	4,063
Long-term liabilities	359,470	375,050	(15,580)
Total liabilities	<u>388,947</u>	<u>400,464</u>	<u>(11,517)</u>
Deferred inflows of resources	<u>11,156</u>	<u>16,832</u>	<u>(5,676)</u>
Net Position:			
Net investment in capital assets	660,685	713,865	(53,180)
Restricted	119,216	136,712	(17,496)
Unrestricted	285,330	143,453	141,877
Total net position	<u>\$ 1,065,231</u>	<u>\$ 994,030</u>	<u>\$ 71,201</u>

The Statement of Net Position (page 31) includes assets and liabilities not included on the Governmental Fund Balance Sheet, including:

- Net OPEB asset (\$7.8 million)
- Capital assets (non-depreciable and depreciable net of depreciation) (\$823.5 million)
- Deferred outflows related to Other Post-Employment Benefits (OPEB) (\$5.9 million)
- Deferred outflows related to pension liabilities (\$58.5 million)
- Deferred outflows related to deferred amounts on refunding (\$1.5 million)
- Interest payable on general obligation bonds (\$1.9 million)
- Compensated absences for governmental funds (\$9.5 million)
- Claims payable (\$14.1 million)
- Long-term debt outstanding (\$162.4 million)
- Leases payable (\$3.6 million) and notes payable (\$3.0 million)
- Pollution remediation obligation (\$6.1 million)
- Net pension liability (net of pension asset) for the EBRPD and CalPERS pension plans (\$159.8 million)
- Deferred inflows related to OPEB & pension liabilities (\$10.8 million) and leases (\$0.4 million)

The Government-wide Statement of Activities (page 32) provides revenue and expense information by function, demonstrating the subsidy each function received from general revenues (property taxes and unrestricted interest gains).

Summary Statement of Changes in Net Position
Total Primary Government
For the Years Ended December 31, 2023, and 2022 (in thousands)

	Governmental Activities				Change From	%
	2023	% of Total	2022	% of Total		
Revenues:						
Program Revenues						
Charges for services	\$ 23,253	8%	\$ 23,317	9%	\$ (64)	0%
Operating grants and contributions	12,307	4%	5,560	2%	6,747	121%
Capital grants and contributions	15,409	5%	14,500	6%	909	6%
General Revenues						
General property tax	197,474	65%	182,860	71%	14,614	8%
General obligation bond property tax	38,559	13%	37,112	14%	1,447	4%
Unrestricted investment earnings (loss)	19,005	5%	(6,057)	-2%	25,062	-414%
Total revenues	<u>306,007</u>	<u>100%</u>	<u>257,292</u>	<u>100%</u>	<u>48,716</u>	<u>19%</u>
Expenses:						
Acquisition/Steward/Dev Division	31,214	13%	29,265	15%	1,949	7%
Executive/Legislative Division	4,771	2%	9,032	4%	(4,261)	-47%
Finance/Management Services Division	20,677	9%	18,119	9%	2,558	14%
Human Resources	5,345	2%	-	0%	5,345	0%
Legal Division	4,060	2%	3,475	2%	585	17%
Operations Division	105,614	45%	92,734	46%	12,880	14%
Public Affairs Division	6,894	3%	5,547	3%	1,347	24%
Public Safety Division	49,762	21%	39,983	20%	9,779	24%
Interest on long-term debt	6,469	3%	2,350	1%	4,119	175%
Total expenses	<u>234,806</u>	<u>100%</u>	<u>200,505</u>	<u>100%</u>	<u>34,301</u>	<u>17%</u>
Change in net position	<u>71,201</u>		<u>56,787</u>		<u>\$ 14,415</u>	<u>25%</u>
Net position, beginning	994,030		937,243			
Net position, end of year	<u>\$ 1,065,231</u>		<u>\$ 994,030</u>			

The governmental fund statements, which follow the government-wide statements, include General Fund, Debt Service Fund, Project Fund and Non-Major Funds (detailed information is presented in the Supplementary Information section of the ACFR).

General Fund ending fund balance, included in the governmental fund financial statements (page 38) increased \$6.9 million. Comparison of significant items between 2023 and 2022 are as follows:

- General Fund revenues increased \$31.4 million for a total of \$218.5 million, compared to \$187.1 million in 2022, with the largest increases attributed to property tax revenue (\$15.2 million) and investment earnings (\$18.5), net of a decrease in charges for services (\$1.4).
- General Fund expenditures totaled \$176.9 million compared to \$166.2 million in 2022, with the increase (\$10.7 million) primarily due to staffing and wage increases, habitat management services, and investments in major infrastructure renovation and replacement.
- 2023 General Fund transfers out totaled \$35.2 million and funded the following:

Projects	\$ 33.7 million
Internal Service Funds	\$ 0.1 million
Debt Service	\$ 1.4 million

Debt service fund balance, included in the governmental fund financial statements, (page 38) increased \$1.3 million in 2023, attributable to a higher debt service property tax levy for Measure WW bond payments.

Project fund balance, included in the governmental fund financial statements (page 38) increased \$5.3 million to an ending fund balance of \$152.5 million primarily due to the transfer in of additional bond proceeds. Some significant projects that were in progress in 2023 include: construction of the new service yard at Coyote Hills which will serve the Dumbarton Quarry Campground, construction of the Tyler Ranch Staging Area at Pleasanton Ridge, and the 365-acre fuels reduction project to remove the dead and dying trees at Anthony Chabot Regional Park.

Proprietary fund statements (pages 44-46) include internal service funds which are used to account for goods and services provided by the internal service departments to other Park District departments. Funds accounted for in this category include workers' compensation, major infrastructure renovation and replacement, major equipment replacement, general liability, and employee benefits.

Fiduciary fund statements (pages 48-49) include information about the EBRPD Retirement Plans, in which the Park District has a fiduciary responsibility over these closed plans.

Notes to the Basic Financial Statements follow (pages 52-98), providing information about significant accounting policies, and details about cash and investments, capital assets, long term liabilities, fund equity, OPEB, and retirement plans and contribution status, as well as other items required to be disclosed.

Required Supplementary Information (RSI) is the next section of the ACFR, and includes the mandated General Fund budget to actual comparison (page 101), information related to the funding status of the Park District's retirement plans (pages 102-115), and information related to the Park District's OPEB liability and contributions (pages 116-117).

As noted on the General Fund budget to actual comparison included in the RSI section:

- General Fund revenue was greater than budget by \$18.7 million. Of that amount, \$12.3 million reflects both earned and unearned investment earnings which are not budgeted due to their volatility, \$8.6 million was the result of increased property tax revenue greater than budget, and charges for services were \$2.0 million less than budgeted.
- General Fund expenditures were less than final appropriations by \$15.5 million. The major reason for expenditures less than budget was unexpended salary and benefits savings (\$8.5 million) due to position vacancies and the related pension and other benefit expenditures, unexpended repairs and maintenance supplies and services and unspent program supplies and services (\$5.9 million), and capital outlay (\$1.2 million) for new vehicles ordered in 2023 that will be delivered in 2024.

General Fund - Budget and Actual
Schedule of Revenues, Expenditures and Changes in Fund Balance

GENERAL FUND				
For the year ended December 31, 2023				
	Original Budget	Final Budget	Actual Amounts	Variance from Final Budget
REVENUES				
Property taxes and assessments	\$ 185,000,000	\$ 185,000,000	\$ 193,605,234	\$ 8,605,234
Charges for services	10,785,066	10,785,066	8,776,476	(2,008,590)
Interest	-	-	12,275,385	12,275,385
Property usage	1,965,518	1,965,518	2,078,054	112,536
Interagency agreements and grants	703,500	703,500	76,908	(626,592)
Miscellaneous	3,250,160	1,301,848	1,701,807	399,959
Total revenues	<u>201,704,244</u>	<u>199,755,932</u>	<u>218,513,864</u>	<u>18,757,932</u>
EXPENDITURES				
Current:				
Acquisition/Stewardship/Development Division	16,955,820	16,872,677	15,910,253	962,424
Executive/Legislative Division	5,948,011	5,530,545	4,853,552	676,993
Finance/Management Services Division	16,320,204	16,669,383	15,304,882	1,364,501
Human Resources	5,172,367	5,471,222	4,706,492	764,730
Legal Division	4,080,499	4,093,851	3,762,145	331,706
Operations Division	92,992,000	93,693,620	87,792,711	5,900,909
Public Affairs Division	7,218,437	7,013,736	6,120,674	893,062
Public Safety Division	40,929,149	41,212,667	37,908,986	3,303,681
Capital outlay	389,750	1,803,955	543,211	1,260,744
Total expenditures	<u>190,006,237</u>	<u>192,361,656</u>	<u>176,902,906</u>	<u>15,458,750</u>
REVENUES OVER EXPENDITURES	<u>11,698,007</u>	<u>7,394,276</u>	<u>41,610,958</u>	<u>34,216,682</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	169,377	169,377
Transfers in	6,000	290,539	290,539	-
Transfers out	(33,534,840)	(35,117,241)	(35,186,590)	(69,349)
Total other financing sources (uses)	<u>(33,528,840)</u>	<u>(34,826,702)</u>	<u>(34,726,674)</u>	<u>100,028</u>
NET CHANGE IN FUND BALANCE	<u>\$ (21,830,833)</u>	<u>\$ (27,432,426)</u>	6,884,284	<u>\$ 34,316,710</u>
Beginning of year			160,478,684	
End of year			<u>\$ 167,362,968</u>	

The Supplementary Information section (pages 120-147) contains details of non-major funds, budget to actual for other governmental funds, and details of internal service funds and fiduciary funds.

The ACFR closes with a statistical section, (pages 151-177) which includes multi-year comparisons of financial information, as well as information about our major revenue source, property tax, additional debt information, and Park District statistics.

Conclusion and Acknowledgements

The General Manager has been of great assistance and has reviewed the year-end results with the auditors. The preparation and timely completion of the annual financial reports is a significant endeavor for the Finance Department staff members, especially Kimberly Balingit (Accounting Manager), Michelle Strawson O'Hara (Interim Assistant Finance Officer), David Sumner (Audit Manager) and Connie Swisher (Executive Assistant) who have contributed their time and attention to produce the ACFR. Other Park District staff have also responded cooperatively to the many questions and requests for detailed information that accompanies each audit.

This ACFR will be submitted for the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting and staff expects to receive acknowledgment similar to the awards received by the Park District for the past 22 consecutive years.

FISCAL IMPACT

There is no revenue/cost impact associated with the acceptance of the report.

ATTACHMENTS

- A. 2023 Annual Comprehensive Financial Report <https://www.ebparks.org/public-info/budget#acfr>