

Livermore Area Recreation and Park District

Staff Report

TO: Chair Faltings and Board of Directors

FROM: Mathew Fuzie, General Manager

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

DATE: September 28, 2022

SUBJECT: **Fixed Asset Audit Overview**

COMMITTEE: Finance Committee Update provided 9/19/22

Presentation:

1. Project Summary
2. Project stakeholders
3. Project methodology (below, and also illustrated by property investigations done by staff – examples to be presented by Finance Officer Dreher)

Project Summary:

As of the last annual Audit (June 30, 2021), the District's Balance Sheet includes a total of \$88.8million in Capital Assets (net book value (NBV), meaning cost less accumulated depreciation). Land accounted for \$52.8million of the District's Capital Asset total.

In reviewing Land values in the Balance Sheet, staff determined that a number of properties that were not owned by the District were nonetheless recorded as assets. Staff's preliminary estimate is that \$20.1million of Land should not have been recorded as LARPD property, though our research continues. All of these Land assets were placed on the Balance Sheet prior to 2016, and most well before then.

Primary Focus – Fixed Asset Data Cleanup: The critical review of all data, including agreements and accounting documentation, related to ALL District Land Assets, those recorded as such in the Balance Sheet and, as applicable, any that were not recorded on the Balance Sheet. Re: the later point, Staff have accounted for all properties, regardless of ownership status, so we do not expect any asset-specific additions.

Staff will also review other assets, with a focus on buildings, and leasehold improvements: asset valuation, categorization, and depreciable lives will be reviewed for all material assets with a remaining net book value of more than \$25k. Equipment is not an issue – most items are nearly completely depreciated and a review of those with a remaining NBV indicates proper depreciable lives and reasonable asset values are in place.

Bottom line is a restatement of the District’s financials will be required, similar to what was done a few years ago in relation to legacy treatment of AB1600 funds.

Secondary Focus: cease dependency on a spreadsheet to record and depreciate assets.

- A new Chart of Accounts (COA) will be implemented to allow for proper asset reporting.
- Once the data are confirmed to be “clean” and the updated COA is in place, the revised fixed asset data will be added to the District’s existing general ledger

Project Stakeholders:

1. Board of Directors – fiduciary responsibility
2. Finance Staff – review and analyze data and propose journal entries to leave the District with a clean view of Fixed Assets.
3. James Marta and Company – Audit partners, who understand the need to prioritize and intensely focus their efforts in reviewing the work of staff and to advise staff in terms of actions items related to staff’s findings.

Project Methodology:

A. Primary Focus – Fixed Asset Data Cleanup

1. Validate Inventory of Properties owned or leased by LARPD
 - a. Review of Assessor Parcel Numbers (APNs) for all properties maintained by LARPD – using Alameda County Assessor’s data for land ownership;
 - i. Note: in many cases there are multiple APNs associated with one LARPD park.
 - ii. Note: in many cases, an LARPD property is adjacent to a property owned by the City of Livermore, or some other entity, that has leased its property to LARPD to operate and maintain (Robertson Park is a prime example)
2. Review agreements to identify the following: cost to acquire, method of acquisition, easements.
3. Review Accounting data related to each asset (Land, building, leasehold improvement) to validate, or not, the values listed on the Balance Sheet.

4. Organize all relevant documentation in electronic folders (legacy contract administration practices have not anticipated the need to locate all documents associated with particular properties or projects, making the investigative work required for this project extremely difficult and time consuming; staff will be updating this methodology and will build upon the work done for this project).

B. Secondary Focus: cease dependency on a spreadsheet to record and depreciate assets.

1. Migrate data to a new COA structure:
 - a. Account Number (asset categories will be utilized)
 - i. Asset Classifications will include:
 - Land
 - Buildings – owned
 - Buildings - leasehold improvements
 - Buildings - Capital Lease
 - Construction in Progress
 - Fixtures - on LARPD land
 - Fixtures - on leased land
 - Office Furniture and Fixtures
 - Vehicles
 - Equipment - IT (hardware and perpetual software licenses)
 - Equipment - Operations
 - b. Unit (e.g. ESS)
 - c. Project # (important for CIP reporting)
 - d. Fund (AB1600, General Fund, other – e.g. Buckley Trust)
 - e. Location (this is key – we do not have this in place today – just work-arounds)
2. Upload data to the General Ledger