

**ARDEN PARK  
RECREATION AND PARK DISTRICT  
FINANCIAL STATEMENTS**

**JUNE 30, 2018**

**ARDEN PARK  
RECREATION AND PARK DISTRICT**

**Table of Contents**

Independent Auditor’s Report.....	1
Management Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	6
Statement of Activities.....	7
Fund Financial Statements	
Governmental Funds:	
Balance Sheet.....	8
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	9
Statement of Revenues, Expenditures and Changes in Fund Balances.....	10
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes In Fund Balances to the Statement of Activities.....	11
Notes to the Financial Statements.....	12
Required Supplementary Information:	
Budgetary Comparison Schedule:	
General Fund.....	21
Special Revenue Fund.....	22
Note to the Required Supplementary Information.....	23

# LARRY BAIN, CPA

An Accounting Corporation

---

2148 Frascati Drive, El Dorado Hills, CA / 916.601-8894

[lpbain@sbcglobal.net](mailto:lpbain@sbcglobal.net)

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Arden Park Recreation and Park District  
Sacramento, California

We have audited the accompanying financial statements of the governmental activities and fund information which comprise the basic financial statements of Arden Park Recreation and Park District as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively make up the basic financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our Responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### **Opinion**

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and fund information of the Arden Park Recreation and Park District as of June 30, 2018, and the changes in financial position, of those activities and funds for the fiscal year then ended in conformity with U.S. generally accepted accounting principles.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Information**

The required supplementary information as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Larry Bain, CPA*  
*An Accounting Corporation*

October 15, 2018

**Arden Park Recreation and Park District  
Required Supplementary Information  
Management's Discussion and Analysis  
June 30, 2018**

This section of the Arden Park Recreation and Park District's annual financial report presents an analysis of the District's financial performance during the fiscal year ended June 30, 2018. This information is presented in conjunction with the audited basic financial statements, which follows this section.

**FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2018**

- The assets of the District exceeded liabilities at the close of the 2017-2018 fiscal year by \$2,128,636 (net position). Of this amount, \$991,847 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors, and \$1,136,213 is net investment in capital assets.
- As of June 30, 2018 the district's governmental funds reported combined fund balances of \$1,015,780 of which \$298,117 is available to meet the District's current and future needs (unassigned fund balance).
- The District had no long-term debt outstanding as of June 30, 2018.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components, government – wide financial statements, fund financial statements and notes to the financial statements. This report also includes additional required supplementary information in addition to the basic financial statements.

**REQUIRED FINANCIAL STATEMENTS**

**Government – Wide Financial Statements** are designed to provide readers with a broad overview of District finances, in a manner similar to a private-sector business

The *Statement of Net Position* include information on the District's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statements of Activities* presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the District are recreational and park activities. There are no business type activities.

**Arden Recreation and Park District  
Required Supplementary Information  
Management's Discussion and Analysis (Continued)  
June 30, 2018**

**Fund Financial Statements** are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and to demonstrate finance-related legal compliance. All of the funds of the District can be divided into one category: governmental funds.

**Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as of balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate comparison between governmental funds and governmental activities.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements,

**Other Information**

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the District's budgetary comparative information for the general fund.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Condensed Statement of Net Position  
Fiscal Years Ended June 30, 2018 and 2017

	2018	2017
Current and other assets	\$ 1,067,397	\$ 1,093,165
Capital assets (net)	1,136,213	1,041,139
Total Assets	<u>\$ 2,203,610</u>	<u>\$ 2,134,304</u>
Liabilities		
Current/non current	<u>\$ 74,974</u>	<u>\$ 61,859</u>
Net Position		
Net investment in capital assets	\$ 1,136,213	\$ 1,041,139
Net position restricted	576	1,504
Unrestricted net position	<u>991,847</u>	<u>1,029,802</u>
Total Net Position	<u>\$ 2,128,636</u>	<u>\$ 2,072,445</u>

**Arden Recreation and Park District  
Required Supplementary Information  
Management's Discussion and Analysis (Concluded)  
June 30, 2018**

Condensed Statement of Activities  
For Fiscal Years Ended June 30, 2018 and 2017

Program Revenues:	2018	2017
Charges for Services	\$ 580,508	\$ 564,781
General Revenues:		
Property Taxes	417,161	389,400
Investment Income	12,733	9,310
Total Revenue	1,010,402	963,491
Expenses		
Recreation and Park Activities	\$ (954,211)	\$ (838,042)
Changes in Net Position	56,191	125,449
Ending Net Position	\$ 2,128,636	\$ 2,072,445

**CAPITAL ASSETS**

As of June 30, 2018 the District's net investment in capital assets totaled \$1,036,213. The investment in capital assets includes land, buildings and improvements, site improvements, and equipment. The capital assets are presented in the government – wide statement of net position. During the current fiscal year, the district made the following purchases and improvements:

Arden Park Pool Resurfacing	\$125,171
Arden Park Office Computer Network	\$8,027
Arden and Cresta Park Playground Equipment	\$12,385
Cresta Park Renovation Planning	\$14,339
Maintenance Equipment	\$18,357

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

In 2017-2018, the District's tax revenue increased from the previous year and program revenue has remained strong. The 2018-2019 Budget anticipates stable tax revenue and strong performance of recreation programs. The Board of Directors is committed to making improvements to the parks in a manner that will ensure a financial reserve to get the District through uncertain times.

**ADDITIONAL FINANCIAL INFORMATION**

This financial report is designed to provide the District's customers, investors and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Arden Park Recreation and Park District Administrator at 1000 La Sierra Drive, Sacramento, California 95864.

**ARDEN PARK RECREATION AND PARK DISTRICT**

**STATEMENT OF NET POSITION  
JUNE 30, 2018**

	<u>Governmental Activities</u>
Assets	
Current assets	
Cash and investments	\$ 1,009,042
Receivables	6,863
Due from other agency	50,916
Restricted cash and investments	576
Total current assets	<u>1,067,397</u>
Non-current assets	
Capital assets:	
Land	39,300
Construction in progress	15,798
Site improvements	1,298,768
Buildings and improvements	922,990
Equipment	264,604
Less: accumulated depreciation	<u>(1,405,247)</u>
Total non-current assets	<u>1,136,213</u>
Total Assets	<u><u>\$ 2,203,610</u></u>
Liabilities	
Current liabilities:	
Claims payable	\$ 22,827
Accrued payroll	28,789
Noncurrent liabilities:	
Due in more than one year	23,358
Total Liabilities	<u>74,974</u>
Net Position	
Net investment in capital assets	1,136,213
Restricted for trust funds	576
Unrestricted	991,847
Total Net Position	<u><u>\$ 2,128,636</u></u>

The notes to financial statements are an integral part of this statement



**ARDEN PARK RECREATION AND PARK DISTRICT**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Total</u>
Governmental Activities:			
Recreation services	<u>\$ 954,211</u>	<u>\$ 580,508</u>	<u>\$ (373,703)</u>
Total Governmental Activities	<u>\$ 954,211</u>	<u>\$ 580,508</u>	<u>\$ (373,703)</u>

General Revenues:

Taxes:		
Property tax, levied for general purposes		417,161
Investment income		<u>12,733</u>
Total general revenues		<u>429,894</u>
Change in net position		56,191
Net position' - beginning		2,072,445
Net position - ending		<u><u>\$ 2,128,636</u></u>

The notes to financial statements are an integral part of this statement

**ARDEN PARK RECREATION AND PARK DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2018**

	General Fund	Special Revenue Fund Landscape and Lighting Assessment District	Totals Governmental Funds
<b>Assets</b>			
Cash and investments	\$ 860,601	\$ 148,441	\$ 1,009,042
Receivables	5,967	896	6,863
Due from other agency	50,916		50,916
Due from other fund	50,829		50,829
Restricted cash and investments	576		576
<b>Total Assets</b>	<b>\$ 968,889</b>	<b>\$ 149,337</b>	<b>\$ 1,118,226</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Claims payable	\$ 22,498	\$ 330	\$ 22,828
Accrued payroll	28,789		28,789
Due to other fund		50,829	50,829
<b>Total Liabilities</b>	<b>51,287</b>	<b>51,159</b>	<b>102,446</b>
<b>Fund Balances</b>			
<b>Fund balances</b>			
Restricted developer deposits	576		576
Assigned	618,909	98,178	717,087
Unassigned	298,117		298,117
<b>Total Fund Balances</b>	<b>917,602</b>	<b>98,178</b>	<b>1,015,780</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 968,889</b>	<b>\$ 149,337</b>	<b>\$ 1,118,226</b>

The notes to financial statements are an integral part of this statement

**ARDEN PARK RECREATION AND PARK DISTRICT**  
**RECONCILIATION OF GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

Fund Balances of Governmental Funds	\$ 1,015,780
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Net investment in capital assets, are not current financial resources and are not included in the governmental funds.	1,136,213
Compensated absences are not due and payable in the current period and therefore are not reported in the funds.	<u>(23,357)</u>
Net position of governmental activities	<u><u>\$ 2,128,636</u></u>

The notes to financial statements are an integral part of this statement

**ARDEN PARK RECREATION AND PARK DISTRICT**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	General Fund	<u>Special Revenue Fund</u> Landscape and Lighting Assessment District	Total Governmental Funds
Revenues			
Property taxes	\$ 412,934	\$ -	\$ 412,934
Intergovernmental revenues	4,227		4,227
Charges for current services	364,179		364,179
Special assessments	-	172,484	172,484
Use of money and property	50,072	1,767	51,839
Other revenues	4,739		4,739
<b>Total Revenues</b>	<b>836,151</b>	<b>174,251</b>	<b>1,010,402</b>
Expenditures			
Current:			
Recreation services	670,500	199,270	869,770
Capital outlay	178,279		178,279
<b>Total Expenditures</b>	<b>848,779</b>	<b>199,270</b>	<b>1,048,049</b>
<b>Net Change in Fund Balances</b>	<b>(12,628)</b>	<b>(25,019)</b>	<b>(37,647)</b>
Fund Balances, July 1, 2017	930,230	123,197	1,053,427
Fund Balances, June 30, 2018	\$ 917,602	\$ 98,178	\$ 1,015,780

The notes to financial statements are an integral part of this statement

**ARDEN PARK RECREATION AND PARK DISTRICT**

**RECONCILIATION OF GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Net Change in Fund Balances - Total Governmental Funds \$ (37,647)

Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:

Cost of assets capitalized	178,279
Depreciation expense	(83,205)

Compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in governmental funds.

(1,236)

Change in net position of governmental activities

\$ 56,191

## ARDEN PARK RECREATION AND PARK DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

#### Note 1: Summary of Significant Accounting Policies

The District was organized in 1949 by a resolution passed by the Board of Supervisors of Sacramento County. It is operated under the direction of a five-member board duly elected and empowered by the electorate with sole authority over the District operations. Although the District is independent from the Sacramento County Board of Supervisors, its financial activities are processed through the County Auditor-Controller's Office.

The accounting policies of the District conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

#### A. Reporting Entity

The District has defined its reporting entity in accordance with generally accepted accounting principles, which provides guidance for determining which governmental activities, organizations and functions should be included in the reporting entity. In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The primary criterion for including a potential component unit within the reporting entity is the governing body's financial accountability. A primary governmental entity is financially accountable if it appoints a voting majority of a component unit's governing body and it is able to impose its will on the component unit, or if there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable if a component unit is fiscally dependent on the primary governmental entity regardless of whether the component unit has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board. All such component units have been "blended" with the District's other fund types and account groups. The following blended component unit has a June 30 year-end.

Based upon the aforementioned oversight criteria, the following is a component unit of the District:

The Arden Park Lighting and Landscape Assessment District is included in the special revenue fund of the District.

#### B. Basis of Accounting

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned or, for property tax revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Resources not available to finance expenditures and commitments of the current period are recognized as deferred revenue or as a reservation of fund balance. The District considers property taxes available if they are collected within sixty-days after year-end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt, as well as compensated absences and claims and judgments are recorded only when payment is due. General capital acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financial sources.

**ARDEN PARK RECREATION AND PARK DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

Note 1: Summary of Significant Accounting Policies (Continued)

C. Non-Current Governmental Assets/Liabilities

GASB Statement 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide statement of net position.

D. Basis of Presentation

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The District's resources are accounted for in these individual funds based on the purposes for which they are to be spent and the means by which spending activity is controlled. For financial reporting, these funds have been grouped into the fund types discussed below.

Governmental Fund Types

Governmental funds are used to account for the District's expendable financial resources and related liabilities (except those accounted for in proprietary and similar trust funds). The measurement focus is based upon determination of changes in financial position. The following are the District's governmental funds:

General Fund - This fund accounts for all the financial resources not required to be accounted for in another fund. This fund consists primarily of general government type activities.

Special Revenue Funds - This fund account for the activity of the landscape and lighting district that is legally restricted to expenditures for specific purposes.

E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

F. Restricted Resources

Restricted assets are financial resources generated for a specific purpose such as construction of improvements and financing of debt obligations. These amounts are restricted, as their use is limited by applicable bond covenants or other external requirements.

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, and then unrestricted resources as needed.

**ARDEN PARK RECREATION AND PARK DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

Note 1: Summary of Significant Accounting Policies (Continued)

G. Compensated Absences

Compensated absences represent the vested portion of accumulated vacation and sick leave. In accordance with GASB 16, the liability for accumulated leave includes all salary - related payments that are directly and incrementally connected with leave payments to employees, such as Medicare taxes. A current liability is recorded in the governmental fund type to account for these vested leave accruals, which are expected to be used within the next fiscal year. The non-current (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide financial statement presentation.

H. Capital Assets

Capital assets, recorded at historical cost or estimated historical cost if actual historical cost is not available, are reported in governmental activities column of the government-wide financial statements. Contributed fixed assets are valued at their estimated fair market value. Capital assets include land, buildings and building improvements and equipment. Capital assets are defined by the District as assets with an initial, individual cost of more than \$2,500.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Depreciation is recorded in the government-wide financial statements on the straight-line bases over the useful life of the assets as follows:

<u>Assets</u>	<u>Useful Life</u>
Buildings	50 years
Building improvements	20 years
Improvements other than buildings	35 years
Equipment and machinery	5 to 20 years

I. Property Tax

The District receives property taxes from the County of Sacramento, which has been assigned the responsibility for assessment, collections, and apportionment of property taxes for all taxing jurisdictions within the County. Secured property taxes are levied on January 1 for the following fiscal year and on which date it becomes a lien on real property. Secured property taxes are due in two instalments on November 1 and February 1 and are delinquent after December 10 and April 10, respectively, for the secured roll. Based on a policy by the County called the Teeter Plan, 100% of the allocated taxes are transmitted by the County to the District, eliminating the need for an allowance for uncollectible. The County, in return, receives all penalties and interest on delinquent taxes. Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent if unpaid by August 31. Property tax revenues are recognized in the fiscal year they are received.



**ARDEN PARK RECREATION AND PARK DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

Note 1: Summary of Significant Accounting Policies (Continued)

J. Interfund Transactions

Operating transfers are transactions to allocate resources from one fund to another fund not contingent on the incurrence of specific expenditures in the receiving fund. Interfund transfers are generally recorded as operating transfers in and operating transfers out in the same accounting period. Transfers between governmental funds are netted as part of the reconciliation to the government-wide presentation.

Note 2: Cash and Investments

Cash and investments at June 30, 2018, consisted of the following:

Checking account	\$	5,350
Imprest cash		500
Cash and investment in the County Treasurer		<u>1,003,768</u>
Total cash and investments	\$	<u><u>1,009,618</u></u>

A. Investments Authorized by the California Government Code and the Entity's Investment Policy

The table below identifies the **investment types** that are authorized for the Arden Park Recreation and Park District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address **interest rate risk**, **credit risk** and **concentration of credit risk**. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Percentage of Portfolio</u>	<u>Investment in One Issuer</u>
Investment pools authorized under CA			
Statutes governed by Government Code	N/A	None	\$40 million
U.S. Treasury Obligations	5 years	None	None
Bank Savings Accounts	N/A	25%	None
Federal Agencies	5 years	75%	None
Commercial Paper	180 days	20%	None
Negotiable Certificates of Deposit	180 days	20%	None
Re-Purchase Agreements	180 days	20%	None
Corporate Debt	5 years	25%	None

**ARDEN PARK RECREATION AND PARK DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

Note 2: Cash and Investments (Continued)

B. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of and investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investment maturity:

Investment Type	Totals	Remaining Maturity (in Months)	
		12 Months or Less	13-48 Months
Sacramento County*	\$ 1,003,768	\$ 1,003,768	\$ -
Totals	\$ 1,003,768	\$ 1,003,768	\$ -

\*Not subject to categorization

C. Concentrations of Credit Risk

The investment policy of the District contains limitations on the amount that can be invested in any one issuer. There are no investments to one issuer exceeding those limits.

D. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposit or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment of collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits; The California Government Code requires that a financial institution secured deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2018, the District's deposits balance was \$1,323 and the carrying amount was \$5,850. The difference between the bank balance and the carrying amount was due to normal outstanding checks and/or deposits in transit. Of the bank balance, all was covered by the Federal Depository Insurance and none was covered by collateral held in the pledging bank's trust department in the District's name.

**ARDEN PARK RECREATION AND PARK DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

Note 2: Cash and Investments (Continued)

E. Investment in Government Pool

Investments are accounted for in accordance with the provisions of GASB Statement No. 31, which requires governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in fair value of investments in the year in which the change occurred. The District reports its investment in the Sacramento County investment pool at fair value based on quoted market information obtained from fiscal agents or other sources if the change is material to the financial statements.

Note 3: Property, Plant and Equipment

Activity for general fixed assets capitalized by the District is summarized below:

	Balance July 1, 2017	Additions	Retirement/ Adjustments	Balance June 30, 2018
Capital assets, not being depreciated:				
Land	\$ 39,300	\$ -	\$ -	\$ 39,300
Construction in progress	1,460	15,798	(1,460)	15,798
Capital assets, being depreciated:				
Site improvements	1,154,354	144,414		1,298,768
Structures and improvements	922,990	-		922,990
Equipment	245,077	19,527		264,604
Total capital assets, being depreciated	2,322,421	163,941		2,486,362
Less accumulated depreciation	(1,322,042)	(83,205)		(1,405,247)
Total capital assets, being depreciated, net	1,000,379	80,736		1,081,115
Governmental activities, capital assets, net	\$ 1,041,139	\$ 96,534	\$ -	\$ 1,136,213

Note 4: Long-Term Obligations

The following is the long term obligation of Arden Recreation and Park District at June 30, 2018:

	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018
<b>Governmental Activities</b>				
Compensated absences	\$ 22,122	\$ 18,723	\$ (17,487)	\$ 23,358
Totals	\$ 21,256	\$ 18,723	\$ (17,487)	\$ 23,358

## ARDEN PARK RECREATION AND PARK DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

#### Note 5: Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District together with other districts in the State carry California Association For Park And Recreation Insurance (CAPRI), a public entity risk pool currently operating as a common risk management and insurance program for member districts. The District pays an annual premium to CAPRI for its general insurance coverage. Furthermore the District carries workers compensation coverage with other districts in the State through the CAPRI. Membership in the California Association of Recreation and Park Districts is required when applying for CAPRI.

The Agreement for Formation provides that CAPRI will be self-sustaining through member premiums. CAPRI reinsures through commercial companies for excess claims for general and automobile liability and all risk property insurance, including boiler and machinery coverage, is subject to a \$2,000 deductible occurrence payable by the District. Financial statements for CAPRI are available at the District's office for fiscal year ending June 30, 2018.

#### Note 6: Defined Contribution Pension Plan

The District contributes to a deferred compensation plan. The plan is a single-employer plan with the assets held in trust by VOYA Financial. All full time salaried employees are eligible but not required to participate in the plan. The plan is defined in the Internal Revenue Code Section 457. At June 30, 2018 there were five active members in the plan and one inactive member in the plan.

The District funds the plan by contributing 3% of covered employees' compensation. In addition a matching contribution of up to 5% covered employees' compensation for the fiscal year ended June 30, 2018, as adopted by the Board of Directors.

Participant's accounts are credited with the District's contributions and the employee contributions. Investment earnings and losses as well as administrative expenses are also charged to participant accounts. Allocations are based on participant's earnings and losses of chosen investments or account balances. The benefit to which a participant is entitled is the benefit that can be provided from the vested portion of the participant's account. The employee becomes vested in the employer contribution after five years from date of hire. The employer contribution stays with the pool if the employee leaves before vesting.

In case of partial or complete termination of the plan or discontinuance of employer contribution to the plan, the rights to the plan benefits become fully vested regardless of any other provisions of the plan and trusts. The trust accounts would continue until all accounts have been distributed in accordance with the provisions of the plan.

Upon participant termination from services due to death, disability or retirement, a participant may elect to receive either a lump sum amount equal to the value of the participant's vested interest in his or her account or instalments over a period selected by the participant. For termination of service due to other reasons, a participant may receive the vested interest in his or her account as a lump sum distribution. The portion of the account that is not vested upon termination should be used to offset future employer contributions.

**ARDEN PARK RECREATION AND PARK DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

Note 7: Net Position/Fund Balances

**Net Position**

The government-wide activities fund financial statements utilize a net position presentation. Net position are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

- *Net Investment in Capital Assets* – This category groups all capital assets, 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 and regulations of other governments and restrictions imposed by law though constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – This category represents net position the District, not restricted for any project or other purpose.

**Fund Balances – Governmental Funds**

The District adopted a policy for GASB Statement No. 54, Fund Balance Reporting. GASB 54 establishes fund balance classifications that comprise a hierarchy based on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. While the classifications of fund balance in the District’s various governmental funds were revised, the implementation of this standard had no effect on total fund balance. Detailed information on governmental fund-type, fund balances are as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Restricted for:		
Developer Deposits	\$ 576	\$ -
Total restricted	<u>576</u>	
Committed:		
Assigned to:		
Park maintenance and development		98,178
Assigned to next years budget	618,909	
General fund swimming pool plaster		
Total assigned	<u>618,909</u>	<u>98,178</u>
Unassigned	<u>298,117</u>	
Total fund balance	<u>\$ 917,602</u>	<u>\$ 98,178</u>

Note 8: Gann Limit

Total Revenue 2017-18 (all sources)	\$ 1,010,402
Amount of limit for 2017-18	<u>1,188,099</u>
Amount (under)/over limit (all sources)	<u>\$ (177,697)</u>

**ARDEN PARK RECREATION AND PARK DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

Note 9: Revenue Limitations Imposed by California Proposition 218

Proposition 218, which was approved by the voters in November 1996, regulates the District's ability to impose, increase, and extend taxes and assessments. Any new increase or extended taxes and assessments subject to the provisions of Proposition 218, requires voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes and assessments are subject to voter initiative and may be rescinded in the future years by the voters.

Note 10: Commitments and Contingencies

**Grants**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the district expects such amounts, if any, to be immaterial.

In the normal course of business, the District is subject to various lawsuits. Defense of lawsuits is typically handled by the District's insurance carrier and losses, if any, are expected to be covered by insurance.

**ARDEN PARK RECREATION AND PARK DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>Revenues</b>				
Property taxes	\$ 350,000	\$ 350,000	\$ 412,934	\$ 62,934
Intergovernmental revenues	2,500	2,500	4,227	1,727
Charges for current services	292,100	292,100	364,179	72,079
Use of money and property	25,400	25,400	50,072	24,672
Other revenues	3,500	3,500	4,739	1,239
<b>Total Revenues</b>	<b>673,500</b>	<b>673,500</b>	<b>836,151</b>	<b>162,651</b>
<b>Expenditures</b>				
Salaries and benefits	434,957	434,957	418,687	16,270
Services and supplies	263,600	263,600	251,813	11,787
Capital outlay	412,500	412,500	178,279	234,221
Contingency			-	-
<b>Total Expenditures</b>	<b>1,111,057</b>	<b>1,111,057</b>	<b>848,779</b>	<b>262,278</b>
<b>Net Change in Fund Balance</b>	<b>\$ (437,557)</b>	<b>\$ (437,557)</b>	<b>(12,628)</b>	<b>\$ 424,929</b>
Fund Balance, July 1, 2017			930,230	
Fund Balance, June 30, 2018			\$ 917,602	

**ARDEN PARK RECREATION AND PARK DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>Revenues</b>				
Special assessments	\$ 170,000	\$ 170,000	\$ 172,484	\$ 2,484
Use of money and property	500	500	1,767	1,267
<b>Total Revenues</b>	<b>170,500</b>	<b>170,500</b>	<b>174,251</b>	<b>3,751</b>
<b>Expenditures</b>				
Salary and benefits	122,662	122,662	122,662	-
Services and supplies	56,200	56,200	76,608	(20,408)
Capital Outlay	35,000	35,000		35,000
<b>Total Expenditures</b>	<b>213,862</b>	<b>213,862</b>	<b>199,270</b>	<b>(20,408)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (43,362)</b>	<b>\$ (43,362)</b>	<b>(25,019)</b>	<b>\$ (16,657)</b>
Fund Balance, July 1, 2017			123,197	
Fund Balance, June 30, 2018			\$ 98,178	



**ARDEN PARK RECREATION AND PARK DISTRICT**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2018**

Note 1: Budgets and Budgetary Accounting

As required by State law the District prepares and legally adopts a final operating budget. Public hearings were conducted on the proposed and final budget to review all appropriations and the source of financing.

Budgets for the general and special revenue funds are adopted on the modified accrual basis of accounting. The budgets for the general and special revenue funds are the only legally adopted budgets.

At the object level, actual expenditures cannot exceed budgeted appropriations. Management can transfer budgeted amounts between expenditure accounts within an object without the approval of the Board of Directors. Significant amendments and appropriation transfers between objects or funds must be approved by the Board of Directors. Appropriations lapse at fiscal year-end.

The budgetary data presented in the final budgeted amount in the accompanying financial statements includes all revisions approved by the Board of Directors.

**Arden Park Recreation and Park District**

**Management Report**

**June 30, 2018**

# LARRY BAIN, CPA

An Accounting Corporation

---

2148 Frascati Drive, El Dorado Hills, CA 95762 / 916.601-8894

[lbain@sbcglobal.net](mailto:lbain@sbcglobal.net)

## **COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESS**

To: Board of Directors  
Arden Park Recreation and Park District

We have audited the financial statements of Arden Park Recreation and Park District as of and for the fiscal year ended June 30, 2018, and have issued our report thereon dated October 15, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

In planning and performing our audit, we considered Arden Park Recreation and Park District's (District) internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We consider FS 18-1 in the following schedule of findings to be a deficiency in internal controls and a material weakness.

A significant deficiency is a deficiency, or 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. We consider finding 18-2 and 18-3 in the following schedule of findings to be significant deficiencies in the District's internal control.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal controls over financial reporting and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control. This report is an integral part of an audit performed in accordance with auditing standards generally accepted in the United States of America in considering the District's internal control over financial reporting, accordingly, this report is not suitable for any other purpose.

This report is intended solely for the information and use of the board of directors, management, Sacramento County Auditor-Controllers Office and the Controller's Office of the State of California.

*Larry Bain, CPA,*  
*An Accounting Corporation*  
October 15, 2018

**ARDEN PARK RECREATION AND PARK DISTRICT**

**SCHEDULE OF FINDINGS  
JUNE 30, 2018**

**Significant Deficiencies Deemed a Material Weakness**

**FS 18-1**

During our audit we noted the District processed journal vouchers in reverse of the intended purpose. The intent was to transfer expenses from the general fund to the Benefit Assessment District, however the opposite occurred resulting in an understatement to the general fund cash and an overstatement in general fund expenditures of \$51,009.60 and the opposite effect in the Benefit Assessment District. We also proposed a material journal entry to reclassify the parking lot overlay project to a service and supply account and out of the capital expenditure account. An overlay project is not considered a capital addition, whereas adding a new parking lot would be capitalized.

Recommendation: We recommend the District review, or hire a consultant to review journal vouchers submitted to the County for accuracy and completeness. We also recommend the District record capital expenditures that meet the criteria of capitalization.

**Significant Deficiencies Not Deemed Material Weaknesses**

**FS 18-2**

We noted the District had a lack of segregation of duties, as one person is capable of handling all aspects of processing transactions from beginning to end. A lack of segregation of duties increases the risk of potential errors or irregularities; however, due to a limited number of personnel an adequate segregation of duties is not possible without incurring additional costs. This is a common condition for entities of this size. We have also noted this comment in previous audits.

**FS 18-3**

The District also relies on the external auditor to ensure its financial statements are in accordance with GAAP. In addition, the District relies on the external auditor to ensure that all necessary disclosures are included in the notes to the financial statements. The District does not employ a staff member with the necessary skill, knowledge and experience to prepare governmental financial statements. In accordance with Statement of Auditing Standards No. 122 external auditors cannot be part of an entity's internal controls over preparation of the financial statements and are prohibited from auditing their own work, which would impair their independence. We have noted this condition during past audits.

Current year follow up:

Recommendation: We recommend the District should also consider training staff in preparing GAAP financial statements or hire an external qualified accountant to prepare the GAAP financial statements. The District could opt to take no action if it considers the cost will outweigh the benefit.

# LARRY BAIN, CPA

An Accounting Corporation

---

2148 Frascati Drive, El Dorado Hills, CA 95762 / 916.601-8894  
[lpbain@sbcglobal.net](mailto:lpbain@sbcglobal.net)

October 15, 2018

To the Board of Directors  
Arden Park Recreation and Park District

We have audited the financial statements of the governmental-type activities of Arden Park Recreation and Park District for the year ended June 30, 2018, and have issued our report thereon dated October 15, 2018. Professional standards require that we provide you with the following information related to our audit.

### **Our responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated May 10, 2017, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

### **Planned Scope and Timing of the Audit**

We performed the audit in September according to the planned scope and timing previously communicated on May 10, 2017.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Arden Park Recreation and Park District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the June 30, 2018 fiscal year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. We noted no transactions in need of prior period adjustments in 2018 fiscal year.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements was (were):

Management's estimate of the useful lives of assets for calculating depreciation expense is based on GFOA recommended useful lives. We evaluated the key factors and assumptions used to develop the useful life estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

Managements estimates for allocating expenditures to the landscape and lighting assessment district.

### **Difficulties Encountered in performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We corrected all material misstatements for the fiscal year 2018.

### **Disagreements with Management**

For purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significance to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated October 15, 2018.

### **Management Consultation with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occur in the normal course of our professional relationship and our responses were not a condition to our retention.

We discussed with the District that after the County of Sacramento converted to a new payroll system in January 2018 the County started deducting group insurance and employer and employee portions of the deferred compensation payments from the District cash account. The District was also sending in a separate claim to pay these expenditures creating a double payment. We were informed that on September 1, 2018 the County created a journal voucher crediting back over \$50,000 to the District cash and offsetting the cash to the payroll liability account. Per review it appears the problem is still continuing after the September 1, 2018 correction and we advised the District to continue monitoring the issue and to verify that the proper amount of cash was credited back to the District general fund.

The District continues to do a very good job in maintaining organized accounting records which creates a more efficient accounting function and audit.

This information is intended solely for the use of the Board of Directors and management of Arden Park Recreation and Park District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Larry Bain, CPA,  
An Accounting Corporation