

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

JUNE 30, 2010

**ARDEN PARK
RECREATION AND PARK DISTRICT**

**FINANCIAL STATEMENTS
June 30, 2010**

Table of Contents

Independent Auditor's Report.....	1
Management Discussion and Analysis.....	2
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	5
Statement of Activities.....	6
Fund Financial Statements	
Governmental Funds:	
Balance Sheet.....	7
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets – Governmental Activities.....	8
Statement of Revenues, Expenditures and Changes in Fund Balances.....	9
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Government-Wide Statement of Activities – Governmental Activities.....	10
Notes to the Financial Statements.....	11
Required Supplementary Information:	
Budgetary Comparison Schedule:	
General Fund.....	19
Special Revenue Fund.....	20
Note to the Required Supplementary Information.....	21
Report on Internal Control over Financial Reporting.....	22

Larry Bain, CPA,
An Accounting Corporation
2148 Frascati Drive
El Dorado Hills, CA 95762

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, 2010, as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, 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.

The Management Discussion and Analysis and 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
November 12, 2010

**Arden Recreation and Park District
Required Supplementary Information
Management's Discussion and Analysis
June 30, 2010**

This section of the Arden Recreation and Park District's annual financial report presents an analysis of the District's financial performance during the fiscal year ended June 30, 2010. This information is presented in conjunction with the audited basic financial statements, which follows this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2010

- The assets of the District exceeded liabilities at the close of the 2009-2010 fiscal year by \$1,585,265 (net assets). Of this amount, \$682,487 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors, and \$901,274 is invested in capital assets (net).
- As of June 30, 2010 the district's governmental funds reported combined fund balances of \$695,836, of which \$695,374 is available to meet the District's current and future needs (unreserved fund balance).
- At the end of the fiscal year, unreserved fund balance for the general fund was \$523,077 or 106% of total general fund expenditures.
- The District had no long-term debt outstanding as of June 30, 2010.

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 *Statements of Net Assets* 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 assets 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 assets changed during the most recent fiscal year. All changes in net assets 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, 2010**

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 Assets
Fiscal Years Ended June 30, 2010 and 2009

	2010	2009
Current and other assets	\$ 802,195	\$ 710,907
Capital assets	901,274	861,668
Total Assets	\$ 1,703,469	\$ 1,572,575
Liabilities		
Current/non current	\$ 118,204	\$ 45,497
Net Assets		
Invested in capital assets	901,274	861,668
Net assets restricted	1,504	1,504
Unrestricted net assets	682,487	663,907
Total Net Assets	\$ 1,585,265	\$ 1,527,078

**Arden Recreation and Park District
Required Supplementary Information
Management's Discussion and Analysis (Continued)
June 30, 2010**

Condensed Statement of Activities
Fiscal Years Ended June 30, 2010 and 2009

	2010	2009
Program Revenues:		
Charges for Services	\$ 364,621	\$ 365,034
General Revenues:		
Property Taxes	312,054	308,871
Use of Money and Property	7,014	13,684
Expenses		
Recreation and Park Activities	(625,502)	(610,204)
Changes in Net Assets	58,187	77,385
Ending Net Assets	\$ 1,585,265	\$ 1,527,078

CAPITAL ASSETS

As of June 30, 2010 the District's investment in capital assets totaled \$901,274 net of accumulated depreciation. 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 assets. During the current fiscal year the district made the following improvements: 1) Addition of a split rail fence at Cresta Park, 2) A storage building was constructed at Arden Park, and 3) Shade structures were installed at Arden and Cresta Parks. These improvements totaled \$15,276 for the fence at Cresta, \$16,926 for the Storage building and, \$64,843 for the shade structures.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In 2009/2010, the District's tax revenues remained relatively stable. The District exercised its option to join in the Proposition 1A Securitization program and was able to recover all of the funds that were borrowed by the State in the current fiscal year. 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 Assets
June 30, 2010**

	<u>Governmental Activities</u>
Assets	
Cash and investments	\$ 797,561
Due from others	1,198
Taxes receivable	1,036
Interest receivable	1,938
Restricted cash and investments	462
Capital assets:	
Land	39,300
Site improvements	657,582
Buildings and improvements	810,031
Equipment	183,195
Less: accumulated depreciation	<u>(788,834)</u>
Total Assets	\$ <u><u>1,703,469</u></u>
Liabilities	
Current liabilities:	
Claims payable	\$ 79,564
Accrued payroll	26,793
Noncurrent liabilities:	
Due in more than one year	<u>11,847</u>
Total Liabilities	<u>118,204</u>
Net Assets	
Invested in capital assets, net of related debt	901,274
Restricted for trust funds	1,504
Unrestricted	<u>682,487</u>
Total Net Assets	\$ <u><u>1,585,265</u></u>

The notes to the 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, 2010**

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Total</u>
Governmental Activities:			
Recreation services	\$ <u>625,502</u>	\$ <u>364,621</u>	\$ <u>(260,881)</u>
Total Governmental Activities	\$ <u><u>625,502</u></u>	\$ <u><u>364,621</u></u>	\$ <u><u>(260,881)</u></u>

General Revenues:

 Taxes:

Property tax, levied for general purposes	312,054
Investment income	<u>7,014</u>
Total general revenues	<u>319,068</u>
Change in net assets	58,187
Net assets - beginning	1,527,078
Net assets - ending	\$ <u><u>1,585,265</u></u>

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

ARDEN PARK RECREATION AND PARK DISTRICT

**Balance Sheet
Governmental Funds
June 30, 2010**

		Major Special Revenue Fund	
	General Fund	Landscape and Lighting Assessment District	Totals Governmental Funds
Assets			
Cash and investments	\$ 620,842	\$ 176,719	\$ 797,561
Due from others	1	1,197	1,198
Taxes receivable	1,036		1,036
Interest receivable	1,938		1,938
Restricted cash and investments	462		462
	<u>624,279</u>	<u>177,916</u>	<u>802,195</u>
Total Assets	\$ 624,279	\$ 177,916	\$ 802,195
Liabilities and Fund Balances			
Liabilities			
Claims payable	\$ 73,946	\$ 5,619	\$ 79,565
Accrued payroll	26,793		26,793
	<u>100,739</u>	<u>5,619</u>	<u>106,358</u>
Total Liabilities	100,739	5,619	106,358
Fund Balances			
Fund balances			
Reserved for trust funds	462		462
Unreserved, reported in:			
General fund	523,077		523,077
Special revenue fund		172,297	172,297
	<u>523,539</u>	<u>172,297</u>	<u>695,836</u>
Total Fund Balances	523,539	172,297	695,836
Total Liabilities and Fund Balance:	\$ 624,279	\$ 177,916	\$ 802,195

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

ARDEN PARK RECREATION AND PARK DISTRICT
Reconciliation of the Statement of Net Assets
of Governmental Funds to the Balance Sheet
As of June 30, 2010

Fund Balances of Governmental Funds	\$ 695,836
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets, net of accumulated depreciation, are not current financial resources and are not included in the governmental funds.	901,276
Compensated absences are not due and payable in the current period and therefore are not reported in the funds.	<u>(11,847)</u>
Net assets of governmental activities	<u>\$ 1,585,265</u>

ARDEN PARK RECREATION AND PARK DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010**

		Major Special Revenue Fund	
	General Fund	Landscape and Lighting Assessment District	Total Governmental Funds
Revenues			
Property taxes	\$ 307,811	\$ -	\$ 307,811
Intergovernmental revenues	4,243		4,243
Charges for current services	162,491		162,491
Special assessments		172,522	172,522
Use of money and property	33,254	1,929	35,183
Other revenues	1,437		1,437
	<u>509,236</u>	<u>174,451</u>	<u>683,687</u>
Total Revenues			
Expenditures			
Current:			
Recreation services	412,676	152,893	565,569
Capital outlay	80,120	19,326	99,446
	<u>492,796</u>	<u>172,219</u>	<u>665,015</u>
Total Expenditures			
Net Change in Fund Balances	16,440	2,232	18,672
Fund Balances, July 1, 2009	<u>507,099</u>	<u>170,065</u>	<u>677,164</u>
Fund Balances, June 30, 2010	\$ <u><u>523,539</u></u>	\$ <u><u>172,297</u></u>	\$ <u><u>695,836</u></u>

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

ARDEN PARK RECREATION AND PARK DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances Of Governmental Funds
To The Statement of Activities
For the Fiscal Year Ended June 30, 2010

Net Change in Fund Balances - Total Governmental Funds \$ 18,672

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	99,448
Depreciation expense	(59,840)

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.

(93)

Change in net assets of governmental activities

\$ 58,187

ARDEN PARK RECREATION AND PARK DISTRICT

Notes to Financial Statements

June 30, 2010

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, 2010

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 assets.

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 Assets

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.

ARDEN PARK RECREATION AND PARK DISTRICT

Notes to Financial Statements

June 30, 2010

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.

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.

ARDEN PARK RECREATION AND PARK DISTRICT

Notes to Financial Statements

June 30, 2010

Note 2: Cash and Investments

Cash and investments at June 30, 2010, consisted of the following:

Checking account	\$ 45
Imprest cash	500
Cash and investments with the County Treasurer	<u>797,478</u>
 Total cash and investments	 <u>\$ 798,023</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

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:

<u>Investment type</u>	<u>Totals</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months or Less</u>	<u>13-24 Months</u>	<u>25-36 Months</u>	<u>37-48 Months</u>
Sacramento County*	\$ 797,478	\$ 797,478	\$ -	\$ -	\$ -
Totals	\$ 797,478	\$ 797,478	\$ -	\$ -	\$ -

* Not subject to categorization

Investments made by the District are summarized below. The investments that are represented by specific identifiable investment securities are classified as to three levels of custodial credit risk within the following category:

Category 1 - insured or registered, with securities held by District or its agent in the District's name;

ARDEN PARK RECREATION AND PARK DISTRICT

Notes to Financial Statements

June 30, 2010

Note 2: Cash and Investments (Continued)

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, 2010, the District's deposits balance was \$259 and the carrying amount was \$545. 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.

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:

Governmental Activities	Balance <u>7/1/2009</u>	Additions	Retirements/ Adjustments	Balance <u>6/30/2010</u>
Capital assets, not being depreciated:				
Land	\$ 39,300	\$ -	\$ -	<u>39,300</u>
Capital assets, being depreciated:				
Site improvements	577,462	80,120		657,582
Structures and improvements	790,705	19,326		810,031
Equipment	<u>183,195</u>			<u>183,195</u>
Total capital assets, being depreciated	1,551,362	99,446		1,650,808
Less accumulated depreciation	<u>(728,994)</u>	<u>(59,840)</u>		<u>(788,834)</u>
Total capital assets, being depreciated net	<u>822,368</u>	<u>39,606</u>		<u>861,974</u>
Governmental activities capital assets, net	<u>\$ 861,668</u>	<u>\$ 39,606</u>	<u>\$ -</u>	<u>\$ 901,274</u>

ARDEN PARK RECREATION AND PARK DISTRICT

Notes to Financial Statements

June 30, 2010

Note 4: Long-Term Obligations

The Following is the long term obligation of Arden Recreation and Park District at June 30, 2010

	Balance <u>7/1/2009</u>	<u>Additions</u>	<u>Retirement</u>	Balance <u>6/30/2010</u>
Governmental Activities:				
Compensated absences	\$ 11,754	\$ 15,143	\$ (15,050)	\$ 11,847
Totals	\$ <u>11,754</u>	\$ <u>15,143</u>	\$ <u>(15,050)</u>	\$ <u>11,847</u>

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, 2010.

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 ING Life Insurance and Annuity Company. 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.

The District funds the plan with a matching contribution of up to 5% covered employees' compensation for the fiscal year ended June 30, 2010, 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 installments 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, 2010

Note 7: Net Assets/Fund Balances

Net Assets

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

- *Invested in Capital Assets, Net of Related Debt* – This category groups all capital assets, into one component of net assets. 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 Assets* – 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 Assets* – This category represents net assets the District, not restricted for any project or other purpose.

Fund Balances

In the fund financial statements, reserves segregate portions of fund balance that are either not available or have been earmarked for specific purposes.

As of June 30, 2010, reservations of fund balance are as described below:

The term “reserved” is used to indicate that a portion of reported fund balance is legally restricted to a specific purpose or not available for appropriation or expenditure. The District has reserved fund balances as follows:

- *Reserved for trust funds*- unavailable for appropriation because the District must use these funds for future capital improvements in lieu of developers directly making improvements.

Note 8: Gann Limit

Total Revenues 09/10 (all sources)	\$ 683,687
Amount of limit for 2009-2010	<u>887,170</u>
Amount (under)/over limit (all sources)	<u>\$ (203,483)</u>

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.

ARDEN PARK RECREATION AND PARK DISTRICT

Notes to Financial Statements

June 30, 2010

Note 10: Operating Lease

On May 25, 2010, the district entered into an operating lease to purchase a copy machine. The monthly lease payments are \$319 and the term of the lease is sixty months. There is no bargain purchase option and the District intends to return the equipment at the end of the lease.

Note 11: Prop 1A Borrowing by the State of California

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to Arden Park Recreation and Park District was \$24,395.

Authorized with the 2009-10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority ("California Communities"), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the Proposition 1A receivables and issued bonds ("Prop 1A Bonds") to provide local agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the amount of the property tax reduction. All transaction costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. The District participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition 1A. The receivable sale proceeds were equal to the book value and, as a result, no gain or loss was recorded.

Note 12: 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.

ARDEN PARK RECREATION AND PARK DISTRICT
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues				
Property taxes	\$ 273,500	\$ 273,500	\$ 307,811	\$ 34,311
Intergovernmental revenues	3,800	3,800	4,243	443
Charges for current services	176,600	176,600	162,491	(14,109)
Use of money and property	37,200	37,200	33,254	(3,946)
Other revenues	9,000	9,000	1,437	(7,563)
Total Revenues	500,100	500,100	509,236	9,136
Expenditures				
Salaries and benefits	293,988	293,988	256,236	37,752
Services and supplies	166,300	185,612	156,440	29,172
Capital outlay	70,000	81,500	80,120	1,380
Contingency	5,000	5,000		5,000
Total Expenditures	535,288	566,100	492,796	73,304
Net Change in Fund Balance	\$ (35,188)	\$ (66,000)	16,440	\$ 82,440
Fund Balance, July 1, 2009			507,099	
Fund Balance, June 30, 2010			\$ 523,539	

The accompanying note to the required supplementary information is an integral part of this statement

ARDEN PARK RECREATION AND PARK DISTRICT

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Landscape and Lighting Special Revenue Fund
For the Fiscal Year Ended June 30, 2010**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues				
Special assessments	\$ 172,500	\$ 172,500	\$ 172,522	\$ 22
Use of money and property	3,000	3,000	1,929	(1,071)
Total Revenues	<u>175,500</u>	<u>175,500</u>	<u>174,451</u>	<u>(1,049)</u>
Expenditures				
Salary and benefits	113,013	113,013	113,013	
Services and supplies	59,287	56,887	39,880	17,007
Capital outlay	19,200	21,600	19,326	2,274
Total Expenditures	<u>191,500</u>	<u>191,500</u>	<u>172,219</u>	<u>19,281</u>
Net Change in Fund Balance	\$ <u>(16,000)</u>	\$ <u>(16,000)</u>	2,232	\$ <u>18,232</u>
Fund Balance, July 1, 2009			<u>170,065</u>	
Fund Balance, June 30, 2010			\$ <u><u>172,297</u></u>	

Larry Bain, CPA,
An Accounting Corporation
2148 Frascati Drive
El Dorado Hills, CA 95762

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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, 2010, and have issued our report thereon dated November 12, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting


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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to 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 did not note any matters that we consider to be material weaknesses in 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 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. We consider the matter noted as 10-1 and 10-2 in the schedule of findings following this report to be significant deficiencies that were not deemed to be material weaknesses in internal control.

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
November 12, 2010

ARDEN PARK RECREATION AND PARK DISTRICT

Schedule of Findings

June 30, 2010

INTERNAL CONTROL FINDINGS

Significant Deficiencies Not Deemed Material Weaknesses

Finding 10-1

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.

Finding 10-2 (prior year 09-6)

During our audit we noted that when the prior administrator left the District in January 2009, the Board of Directors authorized gifting his unvested portion of employer paid deferred compensation to the remaining employees in the plan. We recommend the District use the forfeited portions of terminated participants for current employer contributions to the plan per the District policy. This also would avoid the perception of gift of public funds and would avoid potential discrimination conflicts of non participating employees.

Current Year Follow Up: During the current year we did not observe the prior administrator's employer contribution deferred compensation account transferred to the forfeiture account. The balance of the account was \$3,359 at June 30, 2010.