

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

JUNE 30, 2014

**ARDEN PARK
RECREATION AND PARK DISTRICT**

**FINANCIAL STATEMENTS
June 30, 2014**

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LARRY BAIN, CPA

An Accounting Corporation

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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, 2014, 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, 2014, 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

We have also issued our report dated October 24, 2014 on our consideration of the District's internal control over financial reporting. That report should be read in conjunction with this report in considering our audit.

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 24, 2014

**Arden Park Recreation and Park District
Required Supplementary Information
Management's Discussion and Analysis
June 30, 2014**

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, 2014. This information is presented in conjunction with the audited basic financial statements, which follows this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2014

- The assets of the District exceeded liabilities at the close of the 2013-2014 fiscal year by \$1,791,089 (net position). Of this amount, \$626,680 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors, and \$1,162,905 is net investment in capital assets.
- As of June 30, 2014 the district's governmental funds reported combined fund balances of \$646,466, of which \$536,004 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, 2014.

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, 2014**

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, 2014 and 2013

| | 2014 | 2013 |
|----------------------------------|---------------------|---------------------|
| Current and other assets | \$ 697,920 | \$ 591,190 |
| Capital assets (net) | 1,162,905 | 1,200,491 |
| Total Assets | <u>\$ 1,860,825</u> | <u>\$ 1,791,681</u> |
| Liabilities | | |
| Current/non current | <u>\$ 69,736</u> | <u>\$ 68,987</u> |
| Net Position | | |
| Net investment in capital assets | 1162905 | 1,200,491 |
| Net position restricted | 1504 | 1,504 |
| Unrestricted net position | <u>626680</u> | <u>520,699</u> |
| Total Net Position | <u>\$ 1,791,089</u> | <u>\$ 1,722,694</u> |

**Arden Recreation and Park District
Required Supplementary Information
Management's Discussion and Analysis (Continued)
June 30, 2014**

Condensed Statement of Activities
For Fiscal Years Ended June 30, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|--------------------------------|---------------------|--------------------|
| Program Revenues: | | |
| Charges for Services | \$ 490,076 | \$473,232 |
| General Revenues: | | |
| Property Taxes | 331,378 | 299,802 |
| Use of Money and Property | 288 | 3,962 |
| Total Revenue | <u>821,742</u> | <u>776,996</u> |
| Expenses | | |
| Recreation and Park Activities | \$ (753,347) | (736,402) |
| Changes in Net Position | <u>68,395</u> | <u>40,594</u> |
| Ending Net Position | <u>\$ 1,791,089</u> | <u>\$1,722,694</u> |

CAPITAL ASSETS

As of June 30, 2014 the District's net investment in capital assets totaled \$1,202,707. 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:

| | |
|-------------------------------------|----------|
| Driveway gate at Arden Park | \$4,493 |
| Community Center Sewer | \$3,000 |
| Completion of Arden Park Renovation | \$18,403 |
| Cresta Tennis resurface | \$8,650 |

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In 2013-2014, the District's tax revenue increased from the previous year and program revenue has remained strong. The 2014-2015 budget anticipates stable tax revenue and anticipates 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, 2014**

| | <u>Governmental Activities</u> |
|----------------------------------|------------------------------------|
| Assets | |
| Cash and investments | \$ 696,867 |
| Due from others | 490 |
| Restricted cash and investments | 563 |
| Capital assets: | |
| Land | 39,300 |
| Site improvements | 1,075,613 |
| Buildings and improvements | 871,162 |
| Equipment | 245,077 |
| Less: accumulated depreciation | (1,068,247) |
| Total Assets | <u>\$ 1,860,825</u> |
| Liabilities | |
| Current liabilities: | |
| Claims payable | \$ 20,919 |
| Accrued payroll | 30,535 |
| Noncurrent liabilities: | |
| Due in more than one year | <u>18,282</u> |
| Total Liabilities | <u>69,736</u> |
| Net Position | |
| Net investment in capital assets | 1,162,905 |
| Restricted for trust funds | 1,504 |
| Unrestricted | <u>626,680</u> |
| Total Net Position | <u>\$ 1,791,089</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, 2014**

| | <u>Expenses</u> | <u>Charges for Services</u> | <u>Total</u> |
|-------------------------------|-------------------|---------------------------------|---------------------|
| Governmental Activities: | | | |
| Recreation services | \$ 753,347 | \$ 490,076 | \$ (263,271) |
| Total Governmental Activities | <u>\$ 753,347</u> | <u>\$ 490,076</u> | <u>\$ (263,271)</u> |

General Revenues:

| | | |
|---|--|----------------------------|
| Taxes: | | |
| Property tax, levied for general purposes | | 331,378 |
| Investment income | | <u>288</u> |
| Total general revenues | | <u>331,666</u> |
| Change in net position | | 68,395 |
| Net position' - beginning | | <u>1,722,694</u> |
| Net position - ending | | <u><u>\$ 1,791,089</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, 2014**

| | | Major Special Revenue Fund | |
|--|-------------------|--|---------------------------------|
| | General Fund | Landscape and Lighting Assessment District | Totals Governmental Funds |
| Assets | | | |
| Cash and investments | \$ 602,243 | \$ 94,624 | \$ 696,867 |
| Due from others | 412 | 78 | 490 |
| Taxes receivable | - | - | - |
| Interest receivable | - | - | - |
| Due from other fund | - | - | - |
| Restricted cash and investments | 563 | - | 563 |
| Total Assets | \$ 603,218 | \$ 94,702 | \$ 697,920 |
| Liabilities and Fund Balances | | | |
| Liabilities | | | |
| Claims payable | 16,116 | 4,803 | 20,919 |
| Accrued payroll | 30,535 | - | 30,535 |
| Due to other funds | - | - | - |
| Total Liabilities | 46,651 | 4,803 | 51,454 |
| Fund Balances | | | |
| Fund balances | | | |
| Restricted developer deposits | 563 | - | 563 |
| Assigned | 20,000 | 89,899 | 109,899 |
| Unassigned | 536,004 | - | 536,004 |
| Total Fund Balances | 556,567 | 89,899 | 646,466 |
| Total Liabilities and Fund Balances | \$ 603,218 | \$ 94,702 | \$ 697,920 |

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, 2014

| | |
|---|---------------------|
| Fund Balances of Governmental Funds | \$ 646,466 |
| 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. | 1,162,905 |
| Compensated absences are not due and payable in the current period and therefore are not reported in the funds. | <u>(18,282)</u> |
| Net position of governmental activities | <u>\$ 1,791,089</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, 2014**

| | Major Special Revenue Fund | | |
|------------------------------------|----------------------------------|--|--------------------------------|
| | General Fund | Landscape and Lighting Assessment District | Total Governmental Funds |
| Revenues | | | |
| Property taxes | \$ 327,028 | \$ - | \$ 327,028 |
| Intergovernmental revenues | 4,350 | - | 4,350 |
| Charges for current services | 281,801 | - | 281,801 |
| Special assessments | - | 170,935 | 170,935 |
| Use of money and property | 31,068 | 78 | 31,146 |
| Other revenues | 6,482 | - | 6,482 |
| Total Revenues | 650,729 | 171,013 | 821,742 |
| Expenditures | | | |
| Current: | | | |
| Recreation services | 508,230 | 174,377 | 682,607 |
| Capital outlay | 34,187 | - | 34,187 |
| Total Expenditures | 542,417 | 174,377 | 716,794 |
| Net Change in Fund Balances | 108,312 | (3,364) | 104,948 |
| Fund Balances, July 1, 2013 | 448,255 | 93,263 | 541,518 |
| Fund Balances, June 30, 2014 | <u>\$ 556,567</u> | <u>\$ 89,899</u> | <u>\$ 646,466</u> |

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, 2014**

Net Change in Fund Balances - Total Governmental Funds \$ 104,948

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 | 34,187 |
| Depreciation expense | (71,774) |

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.

1,034

Change in net position of governmental activities

\$ 68,395

ARDEN PARK RECREATION AND PARK DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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, 2014**

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 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, 2014**

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, 2014**

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, 2014, consisted of the following:

| | | |
|---|----|-----------------------|
| Checking account | \$ | 5,404 |
| Imprest cash | | 500 |
| Cash and investment in the County Treasurer | | <u>691,526</u> |
| Total cash and investments | \$ | <u><u>697,430</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, 2014**

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 | 13-24 Months | 25-36 Months | 37-48 Months |
| Sacramento County* | \$ 691,526 | \$ 691,526 | \$ - | \$ - | \$ - |
| Totals | \$ 691,526 | \$ 691,526 | \$ - | \$ - | \$ - |

*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, 2014, the District's deposits balance was \$2,499 and the carrying amount was \$5,904. 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.

Note 2: Cash and Investments (Continued)

ARDEN PARK RECREATION AND PARK DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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, 2013 | Additions | Retirement/ Adjustments | Balance June 30, 2014 |
|--|-------------------------|------------|----------------------------|--------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 39,300 | \$ - | \$ - | \$ 39,300 |
| Construction in progress | 341,735 | - | (341,735) | - |
| Capital assets, being depreciated: | | | | |
| Site improvements | 699,691 | 375,922 | - | 1,075,613 |
| Structures and improvements | 871,162 | - | - | 871,162 |
| Equipment | 245,077 | - | - | 245,077 |
| Total capital assets, being depreciated | 1,815,930 | 375,922 | - | 2,191,852 |
| Less accumulated depreciation | (996,473) | (71,774) | - | (1,068,247) |
| Total capital assets, being depreciated, net | 819,457 | 304,148 | - | 1,123,605 |
| Governmental activities, capital assets, net | \$ 1,200,492 | \$ 304,148 | \$ (341,735) | \$ 1,162,905 |

Note 4: Long-Term Obligations

The Following is the long term obligation of Arden Recreation and Park District at June 30, 2014:

| | Balance July 1, 2013 | Additions | Retirements | Balance June 30, 2014 |
|--------------------------------|-------------------------|-----------|-------------|--------------------------|
| Governmental Activities | | | | |
| Compensated absences | \$ 19,316 | \$ 18,601 | \$ 19,635 | \$ 18,282 |
| Totals | \$ 19,316 | \$ 18,601 | \$ 19,635 | \$ 18,282 |

ARDEN PARK RECREATION AND PARK DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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, 2014.

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, 2014, 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, 2014**

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 | \$ 563 | \$ - |
| Total restricted | <u>563</u> | <u>-</u> |
| Committed: | - | - |
| Assigned to: | | |
| Park maintenance and development | - | 89,899 |
| Assigned to next years budget | 40,672 | |
| General fund swimming pool plaster | 20,000 | - |
| Total assigned | <u>60,672</u> | <u>89,899</u> |
| Unassigned | <u>536,004</u> | |
| Total fund balance | <u>\$ 597,239</u> | <u>\$ 89,899</u> |

Note 8: Gann Limit

| | |
|---|---------------------|
| Total Revenue 2013-14 (all sources) | \$ 821,742 |
| Amount of limit for 2013-14 | <u>1,013,986</u> |
| Amount (under)/over limit (all sources) | <u>\$ (192,244)</u> |

ARDEN PARK RECREATION AND PARK DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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: 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: 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, 2014**

| | Budgeted Amounts | | Actual | Variance |
|-----------------------------------|--------------------|--------------------|----------------|----------------------------|
| | Original | Final | | Favorable (Unfavorable) |
| Revenues | | | | |
| Property taxes | \$ 270,000 | \$ 270,000 | \$ 327,028 | \$ 57,028 |
| Intergovernmental revenues | 2,500 | 2,500 | 4,350 | 1,850 |
| Charges for current services | 210,500 | 210,500 | 281,801 | 71,301 |
| Use of money and property | 30,000 | 30,000 | 31,068 | 1,068 |
| Other revenues | 3,000 | 3,000 | 6,482 | 3,482 |
| Total Revenues | 516,000 | 516,000 | 650,729 | 134,729 |
| Expenditures | | | | |
| Salaries and benefits | 334,198 | 341,922 | 336,922 | 5,000 |
| Services and supplies | 175,000 | 175,100 | 171,308 | 3,792 |
| Capital outlay | 40,179 | 45,179 | 34,187 | 10,992 |
| Contingency | 5,000 | | - | - |
| Total Expenditures | 554,377 | 562,201 | 542,417 | 19,784 |
| Net Change in Fund Balance | \$ (38,377) | \$ (46,201) | 108,312 | \$ 154,513 |
| Fund Balance, July 1, 2013 | | | 448,255 | |
| Fund Balance, June 30, 2014 | | | \$ 556,567 | |

ARDEN PARK RECREATION AND PARK DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

| | Budgeted Amounts | | Actual | Variance |
|-----------------------------------|-------------------|-------------------|----------------|----------------------------|
| | Original | Final | | Favorable (Unfavorable) |
| Revenues | | | | |
| Special assessments | \$ 172,500 | \$ 172,500 | \$ 170,935 | \$ (1,565) |
| Use of money and property | 500 | 500 | 78 | (422) |
| Other revenues | - | - | - | - |
| Total Revenues | 173,000 | 173,000 | 171,013 | (1,987) |
| Expenditures | | | | |
| Salary and benefits | 117,153 | 122,033 | 122,033 | - |
| Services and supplies | 57,750 | 57,750 | 52,344 | 5,406 |
| Capital outlay | - | - | - | - |
| Total Expenditures | 174,903 | 179,783 | 174,377 | 5,406 |
| Net Change in Fund Balance | \$ (1,903) | \$ (6,783) | (3,364) | \$ 3,419 |
| Fund Balance, July 1, 2013 | | | 93,263 | |
| Fund Balance, June 30, 2014 | | | \$ 89,899 | |

ARDEN PARK RECREATION AND PARK DISTRICT

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014**

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.

LARRY BAIN, CPA

An Accounting Corporation

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INDEPENDENT AUDITOR'S 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, 2014, and have issued our report thereon dated October 24, 2014. 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.

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 did not identify any deficiencies in internal control that we consider to be material weaknesses.

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 14-1, 14-2 and 14-3 in the following schedule of findings to be significant deficiencies in the District's internal control:

Arden Park Recreation and Park District's Response to Findings

The Arden Park Recreation and Park District's separate written response to the significant deficiencies identified in our audit and any follow up for subsequent year corrections has not been subjected to the audit procedures applied in the audit of the financial statements and accordingly, we do not express an opinion on the responses.

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 24, 2014

INTERNAL CONTROL FINDINGS

Significant Deficiencies Not Deemed Material Weaknesses

FS 14-1

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.

FS 14-2

During our testing of accrued payroll taxes we noted the District is carrying a credit balance of \$6,529.77. The accrued payroll tax account should clear to a zero balance each month. This was a finding during our prior audit.

Current year follow up: During the current year audit the balance had not changed. As of June 30, 2014 the credit balance was \$6,529.77.

Recommendation: We recommend the District review why the accrued payroll tax account is carrying a balance, have the board adopt a resolution to adjust the account to agree to the underlying supporting documentation and then submit a journal voucher to Sacramento County to adjust the accrued payroll tax account.

FS 14-3

During our audit we noted the District did not have a written financial and accounting policy/manual that included internal control procedures. The District should create the financial and accounting policies that demonstrate how transactions are processed from beginning to end. The policy should include the processes for internal controls that are designed to provide reasonable assurance that objectives related to effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations are met. This also should include documenting controls over processing transactions, authorizing transactions and for maintaining and safeguarding assets.

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 knowledge and training to prepare governmental financial statements. In accordance with Statement of Auditing Standards No. 115 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 noted these conditions during our prior audit.

Current year follow up: The District is in process of developing the written financial and accounting policy. The District is relying on the auditor to prepare the GAAP financial statements.

Recommendation: We recommend the District create a written financial and accounting policy. 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.