

**ARDEN MANOR
RECREATION AND PARK DISTRICT**

**ANNUAL FINANCIAL REPORT
WITH INDEPENDENT AUDITOR'S REPORT
THEREON
JUNE 30, 2017**

**ARDEN MANOR RECREATION AND PARK DISTRICT
JUNE 30, 2017**

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities of each major fund information of the Arden Manor Recreation and Park District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves 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 entity'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 entity'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 presentation of the financial statements.

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

Board of Directors
Arden Manor Recreation and Park District

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Arden Manor Recreation and Park District as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-6 and 26-28, respectively, 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.

Fechter & Company,
Certified Public Accountants

A handwritten signature in cursive script that reads "Fechter & Company, CPAs". The signature is written in dark ink and is positioned to the left of the date and location text.

January 26, 2018
Sacramento, California

Arden Manor Recreation and Park District

Manager's Discussion and Analysis

Financial Audit for 2016-2017

INTRODUCTION

The following discussion and analysis of the Arden Manor Recreation and Park District (District) and its financial performance is intended to provide an overview of the District's financial activities, prepared by its administrative staff for the fiscal year ending June 30, 2017. The discussion and analysis should be read in conjunction with the District's financial statements.

FINANCIAL REPORTING

Arden Manor Recreation and Park District maintains its accounts in accordance with Accounting Principles Generally Accepted in the United States of America as prescribed by the Government Accounting Standards Board (GASB).

In developing and evaluating the District's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition, and (2) the reliability of financial records for preparing financial statements and maintaining accountability.

Budgetary control over spending is maintained by adoption of an annual budget. Spending and revenues are constantly monitored by comparison of actual revenues and expenditures with planned revenues and expenditures for the period.

District financial policies are established and set through Board action and are continually reviewed. The District's accounting and financial developments are audited through an annual independent audit.

BACKGROUND.

The Arden Manor Recreation and Park District was formed on June 22, 1953 to provide park and recreation services to residents of the newly formed District. Arden Manor was the second independent district formed in Sacramento County.

Two parcels of land totaling 7.2 acres were dedicated by real estate developers for the purpose of providing park and recreation facilities for local residents. These parcels became Deterding and Crabtree Parks. In 1958, part of the Deterding Park site was developed.

In 1959, the District was reorganized and annexed additional land to almost double its size. In 1962, construction began on a community center at the Deterding park site. The elections of Board Members by District residents began in 1964. Today, the District is administered by a five-member Board of Directors, elected by District residents who set policies and approve the expenditure of funds.

During 1974, additional land was annexed by the District and development began on the Crabtree Park site. In 1976, the District administrative offices were completed at Deterding Park and 8.02 acres of land, which would become Jonas Larkspur Park, was purchased from San Juan Unified School District. In 1978, construction of this park facility began.

During the early and mid-1980's, the District implemented development of the Jonas Larkspur Park and developed recreational facilities at San Juan Unified School District's Winterstein School. Through a joint powers agreement with the school district, Arden Manor maintains the Winterstein site and has the option of renting the fields or using them for programs. In 2009, San Juan agreed to take over the responsibility of mowing the fields and maintaining the irrigation system. However, they have not maintained the irrigation system and consequently turf integrity has suffered to such a degree that the fields are essentially unusable at this time. In 2011, Winterstein School closed and the facility was rented out to a Charter School. The Naylor Act gives the local community power to purchase the land at below market price if they decide to sell. However, AMRPD does not have any available capital to purchase the land. A possible option would be to create another Assessment to pay for the property over 20 years. As of May 31, the joint use agreement was terminated by AMRPD, freeing up maintenance staff to focus on AMRPD properties.

ADMINISTRATION

The Arden Manor Recreation and Park District is administered by a full-time District Manager, and one part-time Administrative Director. Functions of the Administrative Department include implementation of board policies, development and monitoring of the district's budget, capital development projects, board meetings, facility reservations and operations, management of Joe's Place, preparation and monitoring of grants, personnel functions, payroll, records retention and management of the archives, and general office management.

The Administration Department 16-17 budget includes \$198,615 for salary and wages, \$65,650 for services and supplies, and \$0 for fixed asset expenses, and a \$0 contingency reserve.

MAINTENANCE

Staffing for the Maintenance Department includes one full-time Maintenance Director and one permanent part-time Park Maintenance Worker. Functions of this department include landscape and facility maintenance, vandalism repair and prevention, pool management, custodial tasks, irrigation system repairs, litter control, and management of all chemicals, pesticides and herbicides in compliance with Sacramento County regulations.

For the 16-17 fiscal year, the Maintenance Department includes \$65,000 in salary and wages and \$80,240 for services and supplies.

RECREATION

The Recreation Department is managed by a full-time Recreation Supervisor and permanent part-time Recreation Coordinator. The Recreation Department plans, implements and evaluates recreational programs including sports and exercise, creative and performing arts, education, summer camp, special events, and partnerships with local schools and agencies to help meet the needs of our community residents. The Recreation department employs 15-20 part time and seasonal workers.

The department's 16-17 budget includes \$100,000 for salary and wages and \$36,905 for services and supplies.

AQUATICS

Arden Manor's Aquatics Department is managed by the Recreation Director and Recreation Coordinator and employs twelve seasonal staff. The operation of the Deterding Pool includes swim lessons, general recreation swim, aquacize, lap swim, pool rentals, Joe's Snack Bar, and the Arden Manor Pirates Swim Team. The 16-17 budget includes \$35,000 in salary and wages, and \$25,250 in services and supplies.

FINANCING

The Arden Manor Recreation & Park District 16-17 operating budget of \$606,660 can be funded with \$315,940 from property tax levy, \$19,500 from facility rentals and admin fees, \$25,000 from grants and other government revenues, \$12,500 from cell tower revenue and \$174,000 from Aquatics and Recreation programs.

LANDSCAPE AND LIGHTING (L&L) MAINTENANCE DISTRICT 95-1

The Assessment expired at the end of the 2014/2015 fiscal year. A special tax was put on the August 2015 ballot and did not pass. A new L&L Assessment went out in November 2016 and did not pass.

Additional information regarding the District may be obtained by contacting the main office:

1415 Rushden Drive
Sacramento, CA 95864

GOVERNMENT-WIDE FINANCIAL STATEMENTS

ARDEN MANOR RECREATION AND PARK DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS

Cash and investments	\$ 393,407
Due from other governments	1,190
Capital assets, net	<u>798,762</u>
 Total Assets	 <u>1,193,359</u>

LIABILITIES

Accounts payable	13,529
Accrued payroll	21,305
Noncurrent liabilities:	
Compensated absences	<u>22,578</u>
 Total Liabilities	 <u>57,412</u>

NET POSITION

Invested in capital assets, net of related debt	798,762
Unrestricted	<u>337,185</u>
 Total Net Position	 <u><u>\$ 1,135,947</u></u>

ARDEN MANOR RECREATION AND PARK DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	
Governmental Activities:					
Recreation	\$ 522,025	\$ 205,507	\$ 20,350	\$ -	\$ (296,168)
Total Governmental Activities	<u>\$ 522,025</u>	<u>\$ 205,507</u>	<u>\$ 20,350</u>	<u>\$ -</u>	<u>(296,168)</u>

General Revenues

Taxes and assessments	392,703
Use of money and property	16,413
In-lieu fees	74,966
Miscellaneous revenues	<u>15,892</u>
Total general revenues	499,974
Change in net position	203,806
Net position at beginning of fiscal year	<u>932,141</u>
Net position at end of fiscal year	<u>\$ 1,135,947</u>

FUND FINANCIAL STATEMENTS

ARDEN MANOR RECREATION AND PARK DISTRICT
BALANCE SHEET
JUNE 30, 2017

	General Fund	Special Revenue Fund	Debt Service Fund	Combined Total
ASSETS				
Cash and investments	\$ 389,168	\$ 4,239	\$ -	\$ 393,407
Due from other governments	1,170	20	-	1,190
Total Assets	\$ 390,338	\$ 4,259	\$ -	\$ 394,597
LIABILITIES AND NET POSITION				
Liabilities:				
Accounts payable	\$ 13,529	\$ -	\$ -	\$ 13,529
Accrued payroll	21,305	-	-	21,305
Total Liabilities	34,834	-	-	34,834
Fund Balances				
Unassigned	355,504	4,259	-	359,763
Total Fund Balances	355,504	4,259	-	359,763
Total Liabilities and Fund Balances	\$ 390,338	\$ 4,259	\$ -	\$ 394,597

**ARDEN MANOR RECREATION AND PARK DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2017**

Total fund balances - governmental funds	\$ 359,763
<p>In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.</p>	
Capital assets at historical cost, net of accumulated depreciation	798,762
<p>Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:</p>	
Compensated absences payable	<u>(22,578)</u>
Net position of governmental activities	<u>\$ 1,135,947</u>

ARDEN MANOR RECREATION AND PARK DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED
JUNE 30, 2017

	General Fund	Special Revenue Fund	Debt Service Fund	Totals
REVENUES				
Taxes and assessments	\$ 392,703	\$ -	\$ -	\$ 392,703
Use of money and property	16,374	39	-	16,413
Charges for services	205,507	-	-	205,507
Intergovernmental revenues	-	-	-	-
In-lieu fees	74,966	-	-	74,966
Contributions	20,350	-	-	20,350
Miscellaneous revenues	15,892	-	-	15,892
Total revenues	<u>725,792</u>	<u>39</u>	<u>-</u>	<u>725,831</u>
EXPENDITURES				
Salaries and benefits	347,976	-	-	347,976
Services and supplies	199,101	-	-	199,101
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>547,077</u>	<u>-</u>	<u>-</u>	<u>547,077</u>
Excess of revenues over (under) expenditures	178,715	39	-	178,754
Other Financing Sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	178,715	39	-	178,754
Fund balances - July 1, 2016	<u>176,789</u>	<u>4,220</u>	<u>-</u>	<u>181,009</u>
Fund balances - June 30, 2017	<u><u>\$ 355,504</u></u>	<u><u>\$ 4,259</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 359,763</u></u>

**ARDEN MANOR 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 YEAR ENDED
JUNE 30, 2017**

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures, and Change in Fund Balances, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES	\$ 178,754
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Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense not reported in governmental funds	(44,358)
Fixed asset purchases are capitalized	70,948

The amounts below included in the Statement of Activities do not provide or require the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Change in compensated absences	<u>(1,538)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 203,806</u></u>
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FIDUCIARY STATEMENTS

**ARDEN MANOR RECREATION AND PARK DISTRICT
 FIDUCIARY FUND
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2017**

	<u>Expendable Trust Fund</u>
Assets	
Cash and investments	\$ 260
Interest receivable	<u>138</u>
Total Assets	<u><u>\$ 398</u></u>
 Net Position	
Restricted	<u><u>\$ 398</u></u>

**ARDEN MANOR RECREATION AND PARK DISTRICT
 FIDUCIARY FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Expendable Trust Fund</u>
ADDITIONS	
In-lieu fees	\$ 10
Interest income	<u>398</u>
Total additions	408
DEDUCTIONS	
Transfers out	<u>74,966</u>
Total deductions	74,966
Change in Net Position	(74,558)
Net Position - July 1, 2016	<u>74,956</u>
Net Position - June 30, 2017	<u><u>\$ 398</u></u>

ARDEN MANOR RECREATION AND PARK DISTRICT

Notes to Basic Financial Statements June 30, 2017

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

On June 22, 1953, the Board of Supervisors established the Arden Manor Recreation and Park District (the District) in accordance with provisions of Article 4, Chapter 3, Division 5 of the Public Resources Code of the State of California. It is operated under the direction of a five-member duly elected Board of Directors and empowered by the electorate with sole authority over the District's operations. Although the District is independent from the County Board of Supervisors, its financial activities are still processed through the County of Sacramento's (County) Auditor-Controller's Office.

The principal activity of the District is to provide recreation and park programs and services to the community.

The District is an autonomous Special District of the State of California formed under Section 5780-5791 of the Public Resources Code Article C, and is governed by a five-member Board of Directors elected by the voters of the District. A salaried General Manager administers the operations of the District in accordance with policies adopted by the Board of Trustees. These financial statements encompass all fiscal activities conducted by the District.

The District's basic financial statements include the operations of all organizations for which the Board of Trustees exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of the governing authority, designation of management, ability to significantly influence operations, and accountability of fiscal matters.

Individual Component Unit Disclosures

BLENDED COMPONENT UNITS. The Arden Manor Landscaping and Lighting Assessment District (Assessment District) operates within the District and is governed by the same Board of Trustees. The operation was organized under the Landscaping and Lighting Act of 1972. Although the Assessment District is independent from the County Board of Supervisors, its financial activities are still processed through the County Auditor-Controller's Office. The Assessment District is reported as the Special Revenue Fund and the Debt Service Fund.

DISCREETLY PRESENTED COMPONENT UNITS. There are no entities which meet the GASB Statement No. 14, as amended by GASB Statement No. 39, criteria for discrete disclosure within these financial statements.

ARDEN MANOR RECREATION AND PARK DISTRICT

Notes to Basic Financial Statements June 30, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation

The District's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

Government-Wide Statements

The Statement of Net Position and the Statement of Activities display information about the primary government. These statements include the financial activities of the overall District government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational need of a particular program, and (c) fees, grants, and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the District's funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column. Fiduciary funds are reported by fund type.

C. Fund Accounting

GASB Statement No. 34 defines major funds and requires that the District's major governmental funds be identified and presented separately in the fund financial statements.

Major funds are defined as funds that have either assets, liabilities, revenues, or expenditures/expenses equal to ten percent of their fund-type total. The General Fund is always a major fund. The District reports all its governmental funds as major funds.

ARDEN MANOR RECREATION AND PARK DISTRICT

**Notes to Basic Financial Statements
June 30, 2017**

Note 1: Summary of Significant Accounting Policies (Continued)

C. Fund Accounting (continued)

The District accounts are organized into major funds and fiduciary funds as follows:

Governmental Major Funds:

General Fund

This fund accounts for all financial resources except those to be accounted for in another fund. It is the general operating fund of the District.

Special Revenue Fund

This fund accounts for the specified revenues collected by the District.

Debt Service Fund

This fund is used to account for the accumulation of resources for, and the repayment of the District's debt principal, interest, and related cost.

Fiduciary Fund

This fund accounts for the specified revenues and expenditures collected in a trustee capacity by the District.

D. Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds and the fiduciary funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable and available*. The District considers all revenues to be available if the revenues are collected within sixty days after fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent that they have matured. Capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

ARDEN MANOR RECREATION AND PARK DISTRICT

**Notes to Basic Financial Statements
June 30, 2017**

Note 1: Summary of Significant Accounting Policies (Continued)

E. Budgetary Principles

The District prepares and legally adopts a final operating budget on or before August 31st of each fiscal year. Until the adoption of this final budget, operations are governed by the proposed budget approved by the Board in June. The Board then adopts the final budget by August 1, and submits it to Sacramento County.

F. Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair value on the date contributed. The District's policy is to capitalize all capital assets with costs exceeding a minimum threshold of \$1,000.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets. GASB Statement No. 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. Depreciation is provided using the straight line method which means the cost of the capital asset is divided by its expected useful life in years and the result is charged to expense each year until the capital asset is fully depreciated. The District has assigned the useful lives listed below to capital assets:

Structures	25-50 Years
Improvements	25 Years
Equipment	7 Years
Office furniture and equipment	3-5 Years

G. Property Taxes

The District receives property taxes from Sacramento County (the County), which has been assigned the responsibility for assessment, collection, and apportionment of property taxes for all taxing jurisdictions within the County. The District's property taxes are levied each July 1, on the assessed values as of the prior January 1, for all real and personal property located in the District. Property sold after the assessment date (January 1) is reassessed and the amount of supplemental property tax levied is prorated. Secured property taxes are due in two installments on November 1, and February 1, and are delinquent after December 10 and April 10, respectively. 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 MANOR RECREATION AND PARK DISTRICT

Notes to Basic Financial Statements June 30, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

G. Property Taxes (continued)

The District participates in the County “Teeter Plan” method of property tax distribution and thus receives 100% of the District’s apportionment each fiscal year, eliminating the need for an allowance for uncollectible taxes. The County, in return, receives all penalties and interest on the related delinquent taxes. Under the Teeter Plan, the County remits property taxes to the District based on assessments, not collections, according to the following schedule: 55% in December, 40% in April, and 5% at the end of the fiscal year.

H. Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by GASB and the American Institute of Certified Public Accountants, 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.

I. Vacation, Sick Leave, and Other Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment which will be paid to them upon separation from the District. Compensated absences accumulate and are accrued when they are earned and reported as a non-current liability in the government-wide financial statements. The balance at June 30, 2017, was \$22,578.

J. Fund Balances

In February 2009, the GASB issued Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes accounting and financial reporting standards for all governments that report governmental funds.

Under GASB 54, fund balance for governmental funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are broken out in five categories:

ARDEN MANOR RECREATION AND PARK DISTRICT

**Notes to Basic Financial Statements
June 30, 2017**

Note 1: Summary of Significant Accounting Policies (Continued)

J. Fund Balances (continued)

- Nonspendable Fund Balance – this fund balance classification includes amounts that cannot be spent because they are either not in spendable form (i.e., – prepaid expenses) or legally or contractually required to be maintained intact.
- Restricted Fund Balance – this fund balance classification should be reported when there are constraints placed on the use of resources externally (by creditors, grant sources, contributors, etc.) or imposed by law or enabling legislation.
- Committed Fund Balance – this fund balance classification can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision making authority (i.e., – fund balance designations passed by board resolution).
- Assigned Fund Balance – this fund balance classification are amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed.
- Unassigned Fund Balance – this fund balance classification is the residual classification for the general fund.

K. Deferred Outflows of Resources and Deferred Inflows of Resources

The District adopted the provisions of GASB Statement No. 63 (GASB 63), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides financial reporting guidance for deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. It also identifies net position as the residual of all other elements presented in a statement of financial position, or the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. As implied above, GASB 63 changes the previous classification of net assets to net position, and consequently, the statement of net assets to the statement of net position. The District had no deferred inflows or outflows of resources as of June 30, 2017.

Note 2: Cash and Investments

A. Investment Policy

The District maintains a cash and investment pool that is available for use by all funds. California statutes authorize districts to invest idle or surplus funds in a variety of credit instruments as provided for in California Government Code Section 53601, Chapter 4 – Financial Affairs.

The Government Code allows investments in the following instruments:

- Securities of the U.S. Government, or its agencies

ARDEN MANOR RECREATION AND PARK DISTRICT

**Notes to Basic Financial Statements
June 30, 2017**

Note 2: Cash and Investments (Continued)

A. Investment Policy (Continued)

- Small Business Administration Loans
- Certificates of Deposit (or Time Deposits) placed with commercial banks and/or savings and loan associations
- Negotiable Certificates of Deposit
- Bankers' Acceptances
- Commercial paper and medium term corporate notes
- Repurchase Agreements (Repos)

B. Collateral and Categorization Requirements

Investments are also classified in three categories of credit risk as follows:

- Category 1 - Insured or registered, with securities held by the District or its agent in the District's name;
- Category 2 - Uninsured and unregistered, with securities held by the counter party's trust department or agent in the District's name; and
- Category 3 - Uninsured and unregistered, with securities held by the counter party, or by its trust department or agent, but not in the District's name.

Investments in pools managed by other governments or in mutual funds are not required to be categorized. The District's investments by category as of June 30, 2017 are as follows:

	Category 1	Category 2	Category 3	Carrying Amount
Pooled Investment with County of Sacramento	\$ N/A	\$ N/A	\$ N/A	\$ 392,907
Total Investments	\$ N/A	\$ N/A	\$ N/A	\$ 392,907

C. Classification

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of District debt instruments or Agency agreements:

Cash and investments	\$ 392,907
Petty cash	<u>500</u>
Total cash Government-Wide, Statement of Net Position	<u>\$ 393,407</u>
Cash and investments in Fiduciary Funds	
Total cash and investments	<u>\$ 260</u>

ARDEN MANOR RECREATION AND PARK DISTRICT

**Notes to Basic Financial Statements
June 30, 2017**

Note 2: Cash and Investments (Continued)

D. Marketing Investments to Fair Value (GASB Statement No. 31)

In fiscal year 1997/98, the District adopted Governmental Accounting Standards Board Statement No. 31 (GASB 31), which requires that the District’s investments be carried at fair value instead of cost. Under GASB Statement No. 31, the District must adjust the carrying value of its investments to reflect their fair value at each fiscal year end, and it must include the effects of these adjustments in income for that fiscal year.

GASB 31 applies to all District investments, even if they are held to maturity and redeemed at full face value. Since the District’s policy is to hold all investments to maturity, the fair value adjustments required by GASB 31 result in accounting gains or losses (called “realized” gains or losses). Thus, recognized gains or losses on an investment purchased at par will now reflect changes in its value at each succeeding fiscal year-end, but these recognized gains or losses will net to zero if the investment is held to maturity. By following the requirements of GASB 31, the District is reporting the amount of resources which would actually have been available if it had been required to liquidate all its investments at any fiscal year-end.

Note 3: Capital Assets

Capital assets activity for the fiscal year ended June 30, 2017, was as follows:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
Governmental Activities				
Nondepreciable capital assets				
Land	\$ 80,200	\$ -	\$ -	\$ 80,200
Total nondepreciable capital assets	<u>80,200</u>	<u>-</u>	<u>-</u>	<u>80,200</u>
Depreciable capital assets:				
Structures and improvements	1,443,959	65,171	-	1,509,130
Equipment	<u>345,172</u>	<u>5,777</u>	<u>-</u>	<u>350,949</u>
Total depreciable capital assets	1,789,131	70,948	-	1,860,079
Less: accumulated depreciation	<u>(1,097,159)</u>	<u>(44,358)</u>	<u>-</u>	<u>(1,141,517)</u>
Net depreciable capital assets	<u>691,972</u>	<u>26,590</u>	<u>-</u>	<u>718,562</u>
Net capital assets	<u>\$ 772,172</u>	<u>\$ 26,590</u>	<u>\$ -</u>	<u>\$ 798,762</u>

Depreciation expense for the fiscal year ended June 30, 2017, was \$44,358 and has been recorded in recreation services in the Statement of Activities.

ARDEN MANOR RECREATION AND PARK DISTRICT

**Notes to Basic Financial Statements
June 30, 2017**

Note 4: Long-Term Liabilities

Changes in long-term liabilities

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2017</u>	<u>Due within one year</u>
Compensated absences	\$ 21,040	\$ 1,538	\$ -	\$ 22,578	\$ -

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 is a member along with other districts in the State of California in the 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. The agreement for formation of CAPRI provides CAPRI will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$10 million for each insured event.

The District carries commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance.

Note 6: Defined Contribution Plan

The Arden Manor Recreation and Park District maintains a deferred compensation plan for all employees who contribute at least two percent of their compensation but not less than \$600 annually to the plan. For each employee who participates in the plan, the Arden Manor Recreation and Park District contributes five percent of the employee's compensation.

The employees vest in the plan as determined in the schedule below:

<u>Years of Service</u>	<u>Vesting Percentage</u>
1-3 years	20%
4 years	40%
5 years	60%
6 years	80%
7 years	100%

ARDEN MANOR RECREATION AND PARK DISTRICT

Notes to Basic Financial Statements June 30, 2017

Note 6: Defined Contribution Plan – (Continued)

Should an employee separate from the Arden Manor Recreation and Park District prior to becoming 100% vested in the plan, they may lose all, or a percentage of all, benefits paid by Arden Manor Recreation and Park District. For the year ended June 30, 2017, the Arden Manor Recreation and Park District employer contributions were \$6,940.

Note 7: Net Position and Fund Balances

A. Net Position

Net position is the excess of all the District's assets over all liabilities, regardless of fund. Net position is divided into three captions under GASB Statement No. 34 and GASB 63. These captions apply only to net position, which are determined at the government-wide level and for fiduciary funds, and are described below.

Invested in capital assets, net of related debt describes the portion of net position which is represented by the current net book value of the District's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the District cannot unilaterally alter.

Unrestricted describes the portion of net position that do not meet the definition of "invested in capital assets net of related debt" or "restricted."

B. Fund Balances, Reserves, and Designations

In the fund financial statements, the District has five components of fund balances under the GASB 54. The five classifications are as follows:

- Non-Spendable Fund Balance – this fund balance classification includes amounts that cannot be spent because they are either not in spendable form (i.e., – prepaid expenses) or legally or contractually required to be maintained intact.
- Restricted Fund Balance – this fund balance classification should be reported when there are constraints placed on the use of resources externally (by creditors, grant sources, contributors, etc.) or imposed by law or enabling legislation.
- Committed Fund Balance – this fund balance classification can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority (i.e., – fund balance designations passed by board resolution).
- Assigned Fund Balance – this fund balance classification are amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.

ARDEN MANOR RECREATION AND PARK DISTRICT

**Notes to Basic Financial Statements
June 30, 2017**

Note 7: Net Position and Fund Balances – (Continued)

B. Fund Balances, Reserves, and Designations – (continued)

- Unassigned Fund Balance – this fund balance classification is the residual classification for the general fund.

Note 8: Revenue Limitations Imposed by California Proposition 218

Proposition 218, which was approved by the voters in November 1995, will regulate the District’s ability to impose, increase, and extend taxes, assessments, and fees. Any new, increased, or extended taxes, assessments, and fees subject to the provisions of Proposition 218, require voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes, assessments, and fees are subject to the voter initiative process and may be rescinded in the future years by the voters.

Note 9: Interfund Receivables, Payables, and Transfers

During the fiscal year, interfund transfers were made from the debt service fund to the special revenue fund.

<u>Major Funds</u>	<u>Transfers</u>	
	<u>In</u>	<u>Out</u>
Special Revenue Fund	\$ -	\$ -
Debt Service Fund	-	-
Total	<u>\$ -</u>	<u>\$ -</u>

In general, the District uses interfund transfers to (1) move revenues from the funds that collect them to the funds that statute or budget requires to expend them, (2) use unrestricted revenues collected in the Special Revenue Fund to help finance various programs and capital projects accounted for in other funds in accordance with budgetary authorization, and (3) move cash to debt service funds from the funds responsible for payment as debt service payments become due.

Note 10: Subsequent Events

The District has evaluated subsequent events through January 26, 2018, the date the financial statements were available to be issued, and determined that there were no events occurring subsequent to June 30, 2017 that would have a material impact on the results of operations or its financial position.

REQUIRED SUPPLEMENTARY INFORMATION

**ARDEN MANOR RECREATION AND PARK DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes and assessments	\$ 315,940	\$ 315,940	\$ 392,703	\$ 76,763
Use of money and property	29,000	29,000	16,374	(12,626)
Charges for services	177,000	177,000	205,507	28,507
Intergovernmental revenues	-	-	-	-
Contributions	20,000	20,000	20,350	350
Miscellaneous revenues	64,660	64,660	15,892	(48,768)
Total revenues	<u>606,600</u>	<u>606,600</u>	<u>650,826</u>	<u>44,226</u>
EXPENDITURES				
Current				
Salaries and benefits	398,615	398,615	347,976	50,639
Services and supplies	208,045	208,045	199,101	8,944
Capital Outlay	74,966	74,966	-	74,966
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>681,626</u>	<u>681,626</u>	<u>547,077</u>	<u>134,549</u>
Excess of revenues over (under) expenditures	\$ (75,026)	\$ (75,026)	103,749	\$ (90,323)
Other Financing Sources (uses)				
Transfers in			-	
Transfers out			-	
			<u>-</u>	
Total other financing sources (uses)			<u>-</u>	
Net changes in fund balances			103,749	
Fund balances - July 1, 2016			<u>176,789</u>	
Fund balances - June 30, 2017			<u>\$ 280,538</u>	

ARDEN MANOR RECREATION AND PARK DISTRICT

Notes to Required Supplementary Information June 30, 2017

BUDGETARY BASIS OF ACCOUNTING

The District prepares and legally adopts a final budget on or before August 30th of each fiscal year. Until the final budget is adopted, operations of the District commencing July 1st are governed by a continuing resolution which is adopted by the Board at their final meeting of the preceding fiscal year.

After the budget is approved, the appropriations can be added to, subtracted from or changed only by Board resolution. All such changes must be within the revenues and reserves estimated as available in the final budget or within revised revenue estimates as approved by the Board.

An operating budget is adopted each fiscal year on the modified accrual basis. Additionally, encumbrance accounting is utilized to assure effective budgetary control. Encumbrances outstanding at year-end represent the estimated amount of the expenditures ultimately to result if the unperformed contracts in process at year-end are completed or purchase commitments satisfied. Such year-end encumbrances are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year and included in the subsequent year's budget. Unencumbered appropriations lapse at year-end.

The legal level of budgetary control (the level on which expenditures may not legally exceed appropriations) is at the object level except for fixed assets which are controlled at the sub-object level. Object levels of expenditures are as follows: salaries and benefits, services and supplies, other charges including debt service, capital outlay, contingencies, expenditure transfers, and other financing uses. Sub-object levels of expenditures for fixed assets are land, structures and improvements, and equipment.