

**ARCADE CREEK RECREATION
AND PARK DISTRICT**

FINANCIAL STATEMENTS

JUNE 30, 2016

ARCADE CREEK RECREATION AND PARK DISTRICT

Table of Contents

Independent Auditor’s Report..... 1

Basic Financial Statements:

 Government-Wide Financial Statements:

 Statement of Net Position..... 3

 Statement of Activities..... 4

 Fund Financial Statements

 Governmental Funds:

 Balance Sheet..... 5

 Reconciliation of the Governmental Funds Balance Sheet to the
 Government-Wide Statement of Net Position – Governmental Activities..... 6

 Statement of Revenues, Expenditures and Changes in Fund Balances..... 7

 Reconciliation of the Statement of Revenues, Expenditures and Changes
 In Fund Balances of Governmental Funds to the Government-Wide
 Statement of Activities – Governmental Activities..... 8

Notes to the Financial Statements..... 9

Budgetary Comparison Schedule:

 General Fund..... 18

Note to the Required Supplementary Information..... 19

Report On Internal Control over Financial Reporting..... 20

Schedule of Findings..... 22

LARRY BAIN, CPA

AN ACCOUNTING CORPORATION

2148 Frascati Drive, El Dorado Hills, CA / 916.601-8894
lpbain@sbcglobal.net

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Arcade Creek 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 Arcade Creek Recreation and Park District as of and for the fiscal year ended June 30, 2016, 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 opinions.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Adverse
Governmental Funds	Unmodified

Basis for Adverse Opinion on Governmental Activities

Management has not recorded the net pension liability, the deferred outflows and deferred inflows of resources related to the implementation of Governmental Accounting Standards Board Statements No. 68 and 71, in the government-wide, statement of net position and, accordingly has not recorded the effects of restating beginning net position or the effects on pension expense in the government-wide statement of activities. Accounting principles generally accepted in the United States of America require that those net pension liabilities, deferred outflows and deferred inflows of resources, restatement of beginning net position and the change in pension expense which would increase the deferred outflows and inflows of resources, decrease beginning net position and change the current year expense of the governmental activities. The amount by which this departure would affect the deferred outflows and deferred inflows of resources, net position and expenses of the governmental activities is not reasonably determinable.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on Governmental Activities” paragraph, the financial statements referred to above do not present fairly the financial position of the governmental activities of the Arcade Creek Recreation and Park District, as of June 30, 2016, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

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

Other Matters

Required Supplementary Information

The Arcade Creek Recreation and Park District has not presented the Management Discussion and Analysis, the Schedule of the Pension Plan’s Proportionate Share of the Net Pension Liability and the Schedule of District Pension Contributions, that accounting principles generally accepted in the United States has determined are necessary to supplement, although not required to be part of, the basic financial statements.

The required supplementary information other than Management Discussion and Analysis, the Schedule of the Pension Plan’s Proportionate Share of the Net Pension Liability and the Schedule of District Pension Contributions, as listed in the table of contents, is not a required part of the basic financial statements but is 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.

Other Information

We have also issued our report dated October 18, 2016 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.

Larry Bain, CPA
An Accounting Corporation

October 18, 2016

ARCADE CREEK RECREATION AND PARK DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Governmental Activities</u>
Assets	
Cash and investments	\$ 98,753
Taxes receivable	-
Interest receivable	412
Accounts receivable	-
Restricted cash and investments	329,709
Capital assets:	
Land	272,976
Construction in progress	48,185
Buildings and improvements	6,627,954
Equipment	135,395
Less: accumulated depreciation	<u>(2,924,429)</u>
Total Assets and Other Debits	<u>\$ 4,588,955</u>
Liabilities	
Current liabilities:	
Claims payable	\$ 36,590
Accrued payroll	15,514
Deposits from others	294
Noncurrent liabilities:	
Due within one year	8,821
Due in more than one year	<u>26,879</u>
Total Liabilities	<u>88,098</u>
Net Position	
Invested in capital assets, net of related debt	4,160,081
Restricted for other	208,208
Unrestricted	<u>132,568</u>
Total Net Position	<u>\$ 4,500,857</u>

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

ARCADE CREEK RECREATION AND PARK DISTRICT

**STATEMENT OF ACTIVITIES
JUNE 30, 2016**

	Program Revenues			Total	
	Expenses	Charges for Services	Capital Grants and Contributions		Operating Grants and Contributions
Governmental Activities:					
Recreation services	\$ 967,561	\$ 109,186	\$ 172,185	\$ 107,045	\$ (579,145)
Interest on long-term debt	1,704				(1,704)
Total Governmental Activities	\$ 969,265	\$ 109,186	\$ 172,185	\$ 107,045	(580,849)

General Revenues:

Taxes:	
Property tax, levied for general purposes	521,709
Investment income	(299)
Loss on asset disposal	(52,419)
Other	19,149
Total general revenues	488,140
Change in net position	(92,709)
Net position - beginning	4,582,105
Prior Period Adjustment	11,461
Net position - ending	\$ 4,500,857

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

ARCADE CREEK RECREATION AND PARK DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016**

	General Fund	Special Revenue Funds		Capital Projects Fund	Total Governmental Funds
		Developer Deposits	Non-Major ADA Fund		
Assets					
Cash and investments	\$ 98,753	\$ -	\$ -	\$ -	\$ 98,753
Taxes receivable	-				-
Interest receivable	(32)	150	-	294	412
Accounts receivable	-	-			-
Restricted cash and investments	52,000	160,431	1,511	115,767	329,709
Total Assets	\$ 150,721	\$ 160,581	\$ 1,511	\$ 116,061	\$ 428,874
Liabilities and Fund Balances					
Liabilities					
Claims payable	\$ 10,939	\$ -	\$ -	\$ 25,651	\$ 36,590
Deposits from others				\$ 294	294
Accrued payroll	15,514				15,514
Total Liabilities	26,453	-	-	25,945	52,398
Fund Balances					
Fund balances					
Restricted		116,581	1,511	90,116	208,208
Committed	-	44,000			44,000
Assigned	57,677				57,677
Unassigned	66,591				66,591
Total Fund Balances	124,268	160,581	1,511	90,116	376,476
Total Liabilities and Fund Balances	\$ 150,721	\$ 160,581	\$ 1,511	\$ 116,061	\$ 428,874

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

ARCADE CREEK RECREATION AND PARK DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

Fund Balances of Governmental Funds	\$ 376,476
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets, net of accumulated depreciation, are not current financial resources and are not included in the governmental funds.	4,160,081
Some liabilities, including long-term debt and compensated absences are not due and payable in the current period and therefore are not reported in the funds.	<u>(35,700)</u>
Net position of governmental activities	<u><u>\$ 4,500,857</u></u>

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

ARCADE CREEK RECREATION AND PARK DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
JUNE 30, 2016**

	General Fund	Special Revenue Funds		Capital Project	Total Governmental Funds
		Developer Deposits	Non-major ADA Fund	District Fund Projects	
Revenues					
Property taxes	\$ 515,750	\$ -	\$ -	\$ -	\$ 515,750
Intergovernmental revenues	113,004			38,444	151,448
Charges for current services	33,371				33,371
Use of money and property	75,722	(206)	2	-	75,518
Other revenues	18,572	133,741	575	-	152,888
Total Revenues	756,419	133,535	577	38,444	928,975
Expenditures					
Current:					
Recreation services	739,436	-		144	739,580
Capital outlay	35,506			48,184	83,690
Debt service					-
Principal	54,110				54,110
Interest	1,704				1,704
Total Expenditures	830,756	-	-	48,328	879,084
Excess (Deficit) of Revenues Over (Under)					
Expenditures	(74,337)	133,535	577	(9,884)	59,775
Other Financing Sources (Uses)					
Sale of assets	91,893				91,893
Transfers in	42,689	-	-	100,000	142,689
Transfers (out)	-	(142,689)	-	-	(142,689)
Total Other Financing Sources (Uses)	134,582	(142,689)	-	100,000	91,893
Net Change in Fund Balances	60,245	(9,154)	577	90,116	141,784
Fund Balances, July 1, 2015	52,562	169,735	934	-	223,231
Prior Period Adjustment	11,461				11,461
Fund Balances, June 30, 2016	\$ 124,268	\$ 160,581	\$ 1,511	\$ 90,116	\$ 376,476

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

ARCADE CREEK RECREATION AND PARK DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN NET POSITION
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2016**

Net Change in Fund Balances - Total Governmental Funds \$ 141,784

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	83,690
Depreciation expense	(224,429)
Disposal of capital assets	(144,312)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 54,110

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. (3,552)

Change in net position of governmental activities \$ (92,709)

ARCADE CREEK RECREATION AND PARK DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Note 1: Summary of Significant Accounting Policies

The District was organized in 1959 by a vote of the public. It is operated under the advisement of a five member Board of Directors duly elected and empowered by the electorate with sole authority over the District's operations. Although the District is now independent from the Sacramento County's Board of Supervisors, its financial activities are still processed through the Sacramento County Auditor-Controller's Office.

In addition to providing recreational programs and services to the community, the District maintains three park sites and areas along Koehler Creek and Arcade Creek. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The District has defined its reporting entity in accordance with accounting principles generally accepted in the United States of America, 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. Based on the aforementioned oversight criteria, there are no component units in accordance with Governmental Accounting Standards Board Statement No. 61.

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.

ARCADE CREEK RECREATION AND PARK DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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 accounts for the activity impact fees and other resources that are legally restricted to expenditures for specific purposes.

Capital Project Fund- was established to account for developer fees restricted for park improvements.

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 from developer in lieu deposits. These amounts are restricted, as their use is limited by external requirements.

ARCADE CREEK RECREATION AND PARK DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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 \$5,000.

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 installments 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.

ARCADE CREEK RECREATION AND PARK DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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 incurrance 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.

K. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position should be determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) should be recognized when due and payable in accordance with the benefit terms. Investments should reported at fair value, however the District did not adopt the provisions of Governmental Accounting Standards Board Statements No. 68 and 71 and the auditor's report has been modified accordingly.

Note 2: Cash and Investments

Cash and investments at June 30, 2016, consisted of the following:

Checking account	\$	3,043
Imprest cash		1,000
Cash and investment in the County Treasurer		424,419
Total cash and investments	\$	428,462

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 Arcade Creek 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.

Authorized Investment Type	Maximum Maturity	Percentage of Portfolio	Investment in One Issuer
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

ARCADE CREEK RECREATION AND PARK DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 2: Cash and Investments (Continued)

B. Disclosures Relating to Interest Rate Risk

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

Investment Type	Totals	Remaining Maturity (in Months)	
		12 Months or Less	13-48 Months
Sacramento County*	\$ 424,419	\$ 424,419	\$ -
Totals	\$ 424,419	\$ 424,419	\$ -

*Not subject to categorization

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

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, 2016, the District's deposits balance was \$3,728 and the carrying amount was \$4,043. The difference between the bank balance and the carrying amount, if any, was due to normal outstanding checks and 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.

ARCADE CREEK RECREATION AND PARK DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 2: Cash and Investments (Continued)

E. Investment in Government Pool

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

Note 3: Property Plant and Equipment

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

	Balance July 1, 2015	Additions	Retirement/ Adjustments	Balance June 30, 2016
Capital assets, not being depreciated:				
Land	\$ 417,288	\$ -	\$ (144,312)	\$ 272,976
Construction in progress	-	48,185		48,185
Capital assets, being depreciated:				
Structures and improvements	6,611,829	\$ 35,505	(19,380)	6,627,954
Equipment	116,015	19,380	-	135,395
Total capital assets, being depreciated	6,727,844	54,885	(19,380)	6,763,349
Less accumulated depreciation	(2,700,000)	(224,429)	-	(2,924,429)
Total capital assets, being depreciated, net	4,027,845	(169,544)	(19,380)	3,838,922
Governmental activities, capital assets, net	<u>\$ 4,445,132</u>	<u>\$ (121,359)</u>	<u>\$ (163,692)</u>	<u>\$ 4,160,081</u>

Note 4: Long-Term Liabilities

The following is a summary of changes in the Districts long-term debt for the fiscal year ended June 30, 2016:

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016	Due within One Year
Governmental Activities					
Compensated absences	\$ 32,147	\$ 21,192	\$ (17,641)	\$ 35,698	\$ 8,821
Capital lease	54,110		(54,110)	-	-
Totals	<u>\$ 96,465</u>	<u>\$ 21,192</u>	<u>\$ (71,751)</u>	<u>\$ 35,698</u>	<u>\$ 8,821</u>

ARCADE CREEK RECREATION AND PARK DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 4: Long-Term Liabilities (Continued)

Long-term liability obligations consist of the following:

Compensated Absences

The District recognizes the accumulated unpaid employee vacation and vested sick leave benefits as a liability and the long-term portion is recorded as compensated absences payable in the government-wide statement of net position. The current portion is recorded in both the fund financial statement and the government-wide financial statement.

Capital Lease

The District entered into a lease agreement on October 25, 2010, as lessee for financing the purchase of property. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, was also recorded at the present value of future minimum lease payments as of the inception date in the fixed assets schedule. The annual interest rate for the lease was 6.5% and the lease payments are made monthly beginning October 25, 2010. The lease was extinguished during the 2015/16 fiscal year using the proceeds from the land sale.

Note 5: Developer Impact Fees

The County maintains a restricted account for the benefit of the Arcade Creek Recreation and Park District. The corpus of the trust consists of impact fees paid by developers of subdivisions within the boundaries of the District. The use of these funds by the District is restricted for the purpose of providing park and recreation facilities to serve the population. The District maintains the activity of these funds in a special revenue fund.

ARCADE CREEK RECREATION AND PARK DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 6: 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 general and automobile liability and all risk property insurance, including boiler and machinery coverage, is subject to a \$2,000 deductible per occurrence payable by the District. Financial statements for CAPRI are available at the District's office for fiscal year ending June 30, 2016.

The District carries commercial insurance for other risks of loss, including employees' health insurance.

Note 7: Net Position/Fund Balances

The government-wide activities fund financial statements utilize a net position presentation. Net position is 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, in the current fiscal year. 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:

	General Fund	Developer Fees	ADA Fees	Capital Projects
Restricted for Developer Deposits	\$ -	\$ 116,581	\$ 1,511	\$ -
Committed for bollards and CC flooring and projects		44,000		
Assigned for next years budget	57,677			
Assigned for capital projects				116,061
Unassigned	66,591			
Total fund balance	\$ 124,268	\$ 160,581	\$ 1,511	\$ 116,061

ARCADE CREEK RECREATION AND PARK DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 8: Site Lease Agreements

The District entered into an agreement with AT&T whereby the District leased property to AT&T for a communications transmission tower. The lease is a term of five years with rights to extend the term for five additional terms of five years each. Payments are due and payable quarterly.

During the fiscal year ending June 30, 2004 the District entered into a site lease agreement with Metro PCS, whereby Metro PCS agreed to lease a site for a cellular tower and pay the District \$2,500 up front plus \$1,200 per month adjusted every renewal term by 15%. The initial term is five years then four additional five year options.

During the fiscal year ending June 30, 2006 the District entered into a site lease agreement with T Mobile, whereby T-Mobile agreed to lease a site for a cellular tower and pay the District \$7,500 up front plus \$2,000 per month adjusted annually by up to 3%. The initial term is five years then five additional five year options. Additionally T-Mobile will pay \$400 annually for the lease options.

On August 20, 2012, the District approved by resolution the sale of the District cell tower lease agreements and assigned management of the cell tower sites to Crown Castle, Inc. The purchase price was \$574,500 for site one and \$596,000 for site two. The amount collected in advance by the District was approximately \$54,000 and then 240 monthly payments will be made for approximately \$4,600 per month. Crown Castle, Inc., was granted a 60 year (720 month) easement term and has the unilateral right to terminate the lease for any reason.

Note 9: Revenue Limitations Imposed by California Proposition 218

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

Note 10: Commitments and Contingencies

Grants

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

Note 12: Gann Limit

Total Tax and Interest Revenue 2015-16	\$ 660,962
Amount of limit for 2015-16	<u>1,207,999</u>
Amount (under)/over limit (all sources)	<u>\$ (547,037)</u>

ARCADE CREEK RECREATION AND PARK DISTRICT

**NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues				
Property taxes	\$ 490,300	\$ 506,975	\$ 515,750	\$ 8,775
Intergovernmental revenues	671,548	131,979	113,004	(18,975)
Charges for current services	40,000	38,000	33,371	(4,629)
Use of money and property	67,500	80,000	75,722	(4,278)
Other revenues	14,375	107,076	18,572	(88,504)
Total Revenues	1,283,723	864,030	756,419	(107,611)
Expenditures				
Salaries and benefits	528,044	528,044	487,105	40,939
Services and supplies	255,055	296,125	252,331	43,794
Debt service	12,927	6,827	55,814	(48,987)
Capital outlay	144,000	44,000	35,506	8,494
Total Expenditures	940,026	874,996	830,756	44,240
Excess (Deficit) of Revenues Over (Under) Expenditures	343,697	(10,966)	(74,337)	(63,371)
Other Financing Sources (Uses)				
Sale of assets	-	-	91,893	91,893
Operating transfers in	-	-	42,689	42,689
Operating transfers out	-	-		
Total Other Financing Sources (Uses)			134,582	134,582
Excess (Deficit) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 343,697	\$ (10,966)	60,245	\$ 71,211
Fund Balance, July 1, 2015			52,562	
Prior Period Adjustment			11,461	
Fund Balance, June 30, 2016			\$ 124,268	

ARCADE CREEK RECREATION AND PARK DISTRICT

**NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016**

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.

The budget for the general fund is adopted on the modified accrual basis of accounting. The budget for the general fund is the only legally adopted budget. Budgets for the debt service fund are used for management and control purposes only.

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

2148 Frascati Drive, El Dorado Hills, CA / 916.601-8894
lpbain@sbcglobal.net

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To: Board of Directors
Arcade Creek Recreation and Park District

We have audited the financial statements of Arcade Creek Recreation and Park District as of and for the fiscal year ended June 30, 2016, and have issued our report thereon dated October 18, 2016. 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 Arcade Creek Recreation and Park District's (District) internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We consider findings 16-1 and 16-2 to be a deficiency 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 findings 16-3 through 16-5 in the following schedule of findings to be significant deficiencies in the District's internal control.

Arcade Creek Recreation and Park District's Response to Findings

The Arcade Creek 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 18, 2016

ARCADE CREEK RECREATION AND PARK DISTRICT

SCHEDULE OF FINDINGS FOR THE FISCAL YEAR EDED JUNE 30, 2016

INTERNAL CONTROL FINDINGS

Significant Deficiencies Deemed Material Weaknesses

Finding 16-1

During our review of capital assets we noted the sale of the Myrtle property was recorded in the general ledger based on the proceeds of the sale and did not include items paid through escrow. The effect on the financial statements resulted in an understatement of proceeds from the sale of \$54,456, an understatement of debt extinguishment of \$49,747 and an understatement of other costs of \$4,709. We proposed a journal entry to correctly record the sale of the Myrtle property.

We also noted the District did not budget for the sale of the property or the extinguishment of the debt.

Recommendation: We recommend the District record the full price from the sale of assets including expenses paid through escrow.

Finding 16-2 (Prior Year Finding 11-3)

During our review of the budget we noted the general fund revenues were under budget by \$2,272,672. The original budget anticipated receiving grant revenue for the soccer fields. The District did not proceed with that project during the 2010/11 fiscal year and did not adjust the budget to reflect the changed conditions. The budget would indicate to the user that the District had more funds available for appropriation than actual and the risk of overspending and incurring a general fund deficit increases.

Furthermore we noted the District's general fund, fund balance has been in a steady decline. The general fund, fund balance in the 2008/2009 fiscal year was \$387,773 the 2009/10 fiscal year was \$321,389, the 2010/11 fiscal year was \$56,711 and the 2011/12 fiscal year was \$40,871. The District cannot incur the rate of general fund expenditures over revenues at this pace without the risk of general fund, fund balance deficits.

2011-12 follow-up: During the 2011-12 fiscal year audit the budgeted revenues exceeded the actual revenue by \$40,269.

2012-13 follow-up: During the 2012-13 fiscal year the budgeted revenues exceeded actual revenue by \$84,664. Fund balance increased by \$54,446 however this included a \$50,000 transfer from the Impact Fee fund that was not spent during the 2012/13 fiscal year. Excluding the \$50,000 fund balance increased \$4,446.

2013-14: During the 2013-14 fiscal year the District's budget for revenues was \$1,385,119 and the District received \$840,435 which was \$544,684 less than budgeted. Not adjusting revenues for known lower projections will give the appearance that the District has more funds available for appropriation and could lead to a financial crisis.

2014-2015: The budgeted expenditures exceeded the budgeted revenue by \$7,759 and the budgeted revenue exceeded the amount actually received by \$80,208.

Current Year Follow Up: During the fiscal year we noted the District reclassified actual capital expenditures to services and supplies to stay in line with their capital outlay budget, as opposed to amending the budget. This accounting treatment resulted in an understatement of capital outlay and an overstatement of services and supplies. We also noted the District did not budget for the sale of the Myrtle Property and the extinguishment of the related debt.

Recommendation: We recommend the District perform periodic reviews of the budget and make amendments when known conditions that will have a significant impact on the budget have occurred. We recommend the District not reclassify actual expenditures from one object to another in order to stay under budget within a specific object.

ARCADE CREEK RECREATION AND PARK DISTRICT

**SCHEDULE OF FINDINGS
FOR THE FISCAL YEAR EDED JUNE 30, 2016**

Significant Deficiencies Not Deemed Material Weaknesses

Finding 16-3

We noted the District had a lack of segregation of duties, as one person is capable of handling all aspects of processing certain 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 noted this comment in previous audits.

Finding 16-4 (Prior Year Finding 15-3)

We noted the District transferred funds from Developer Fee Fund and the Special Revenue In Lieu Fund to the General Fund and coded these items to the grant revenues account. These funds should have been coded to transfers in and transfers out.

Current Year Follow Up: During the current fiscal year, we noted the transfer of funds were coded to miscellaneous revenues.

Recommendation: We recommend the District code operating transfers between funds to the proper accounts.

Finding 16-5 (Prior Year Finding 15-4)

During our review of receipts we noted the District was collecting cash at the ASES program facility with little accountability. The ASES program facility did not provide District finance personnel with sequentially numbered receipts or other forms of accountability such as a roster showing who paid, the date paid and the amount paid.

Current Year Follow Up: The condition still exists. The funds that are received from the participants in the program lack sufficient support. The District is utilizing a receipt book, however not all the sequential receipts are being remitted and accounted for.

Recommendation: We recommend the ASES program facility develop a receipting system that provides adequate accountability for on-site collections. The District could consider not allowing cash collections at the facility and posting a sign saying that the ASES program facility will not accept cash. If a participant only had the means of paying by cash, then they could pay at the District main office.

We also recommend the District Office Manager purchase the receipt books and issue them to the ASES coordinator. The Office Manager should then reconcile the sequentially numbered receipts when they are remitted by the ASES coordinator and provide an explanations for any missing receipts.