

**RIO LINDA & ELVERTA RECREATION
AND PARK DISTRICT**

FINANCIAL STATEMENTS

JUNE 30, 2012

RIO LINDA & ELVERTA RECREATION AND PARK DISTRICT

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**LARRY BAIN, CPA,
AN ACCOUNTING CORPORATION
2148 Frascati Dr.
El Dorado Hills, CA 95762**

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Rio Linda & Elverta Recreation and Park District
Rio Linda, CA

We have audited the accompanying financial statements of the governmental activities and fund information which comprise the basic financial statements of Rio Linda & Elverta Recreation and Park District as of and for the fiscal year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and fund information of the Rio Linda & Elverta Recreation and Park District as of June 30, 2012, and the changes in financial position, of those activities and funds for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

We have also issued a report dated March 11, 2013 on our consideration of the District's internal control over financial reporting. That report is an integral part of an audit and should be read in conjunction with this report in considering the results of our audit.

The Rio Linda & Elverta Recreation and Park District has not presented the Management Discussion and Analysis that accounting principles generally accepted in the United States have determined is necessary to supplement, although not required to be part of, the basic financial statements.

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

Larry Bain, CPA
An Accounting Corporation
March 11, 2013

RIO LINDA & ELVERTA RECREATION AND PARK DISTRICT

**STATEMENT OF NET ASSETS
JUNE 30, 2012**

	<u>Governmental Activities</u>
Assets	
Current assets	
Cash and investments	\$ 272,364
Due from others	3,034
Grants receivable	44,000
Restricted cash and investments	<u>168,475</u>
Total current assets	<u>487,873</u>
Capital assets:	
Land	494,927
Site improvements	1,206,589
Buildings and improvements	1,654,915
Equipment	282,674
Less: accumulated depreciation	<u>(1,302,108)</u>
Total Capital Assets	<u>2,336,997</u>
Total Assets	<u><u>\$ 2,824,870</u></u>
Liabilities	
Current liabilities:	
Claims payable	\$ 57,532
Due to other government	-
Accrued payroll	25,120
Deposits	1,236
Noncurrent liabilities:	
Due in more than one year	<u>19,021</u>
Total Liabilities	<u>102,909</u>
Net Assets	
Invested in capital assets, net of related debt	2,336,997
Restricted for developer fees	168,675
Unrestricted	<u>216,289</u>
Total Net Assets	<u><u>\$ 2,721,961</u></u>

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

RIO LINDA & ELVERTA RECREATION AND PARK DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>
			<u>Total</u>
Governmental Activities:			
Recreation services	\$ 934,230	\$ 155,819	\$ 21,311
			\$ (757,100)
 Total Governmental Activities	<u>\$ 934,230</u>	<u>\$ 155,819</u>	<u>\$ 21,311</u>
			<u>(757,100)</u>

General Revenues:

 Taxes:

Property tax, levied for general purposes	723,166
Investment income	1,122
Other revenues	4,121
Total general revenues	<u>728,409</u>
Change in net assets	(28,691)
Net assets - beginning	<u>2,750,652</u>
Net assets - ending	<u><u>\$ 2,721,961</u></u>

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

RIO LINDA & ELVERTA RECREATION AND PARK DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2012**

	General Fund	Special Revenue Fund Developer In-Lieu Fund	Totals Governmental Funds
Assets			
Cash and investments	\$ 272,364	\$ -	\$ 272,364
Due from others	2,834	200	3,034
Grants receivable	44,000	-	44,000
Restricted cash and investments	-	168,475	168,475
Total Assets	\$ 319,198	\$ 168,675	\$ 487,873
Liabilities and Fund Balances			
Liabilities			
Claims payable	\$ 57,532	\$ -	\$ 57,532
Due to other government	-	-	-
Accrued payroll and benefits	25,120	-	25,120
Deferred revenue	44,000	-	44,000
Deposits	1,236	-	1,236
Total Liabilities	127,888	-	127,888
Fund Balances			
Fund balances			
Reserved for developer fees	-	168,675	168,675
Unreserved, reported in:			
Designated for subsequent years expenditures	191,310	-	191,310
Total Fund Balances	191,310	168,675	359,985
Total Liabilities and Fund Balances	\$ 319,198	\$ 168,675	\$ 487,873

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

RIO LINDA & ELVERTA RECREATION AND PARK DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSET
JUNE 30, 2012**

Fund Balances of Governmental Funds	\$ 359,985
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets, net of accumulated depreciation, are not current financial resources and are not included in the governmental funds.	2,336,997
Certain revenues received after sixty days from the end of the fiscal year are recorded as deferred revenue in the funds and as revenues in the government wide statement.	44,000
Compensated absences are not due and payable in the current period and therefore are not reported in the funds.	<u>(19,021)</u>
Net assets of governmental activities	<u><u>\$ 2,721,961</u></u>

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

RIO LINDA & ELVERTA RECREATION AND PARK DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	General Fund	Special Revenue Fund Developer Fees Fund	Total Governmental Funds
Revenues			
Property taxes	\$ 712,727	\$ -	\$ 712,727
Intergovernmental revenues	31,710	-	31,710
Use of money and property	23,246	725	23,971
Charges for current services	133,044	40	133,084
Other revenues	4,047	-	4,047
Total Revenues	904,774	765	905,539
Expenditures			
Current:			
Recreation services	851,463	-	851,463
Capital outlay	143,024	-	143,024
Total Expenditures	994,487	-	994,487
Excess (Deficit) of Revenues Over Expenditures	(89,713)	765	(88,948)
Other Financing Sources (Uses)			
Operating transfers in	20,000		20,000
Operating transfers out		(20,000)	(20,000)
Total Other Financing Sources (Uses)	20,000	(20,000)	-
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(69,713)	(19,235)	(88,948)
Fund Balances, July 1, 2011	261,023	187,910	448,933
Fund Balances, June 30, 2012	\$ 191,310	\$ 168,675	\$ 359,985

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

RIO LINDA & ELVERTA RECREATION AND PARK DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Net Change in Fund Balances - Total Governmental Funds	\$ (88,948)
Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities. The costs of those assets is allocated over their estimated useful lives as depreciation expense 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	143,024
Depreciation expense	(83,060)
Certain revenues recognized in the Statement of Activities that do not provide current financial resources were not reported as revenues in the funds.	-
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.	<u>293</u>
Change in net assets of governmental activities	<u><u>\$ (28,691)</u></u>

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

RIO LINDA & ELVERTA RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2012

Note 1: Summary of Significant Accounting Policies

The District was established in 1990, as a reorganization consisting of the formation of the District and the dissolution of County Service Area No. 3. 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 park sites. 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 provide 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. 14.

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 financing sources.

RIO LINDA & ELVERTA RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

Note 1: Summary of Significant Accounting Policies (Continued)

C. Non-Current Governmental Assets/Liabilities

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

D. Basis of Presentation

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

Governmental Fund Types

Governmental funds are used to account for the District's expendable financial resources and related liabilities (except those accounted for in proprietary and similar trust funds). The measurement focus is based upon determination of changes in financial position. 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 Fund - This funds account for the activity of the developer in lieu fees that are legally restricted to expenditures for specific purposes.

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 and financing of debt obligations. These amounts are restricted, as their use is limited by applicable bond covenants or other external requirements.

G. Fund Equity

Reservations of fund balances of governmental funds are established to either (1) satisfy legal covenants that require a portion of fund balance to be segregated or (2) identify the portion of the fund balance that is not appropriate for future expenditures.

RIO LINDA & ELVERTA RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

Note 1: Summary of Significant Accounting Policies (Continued)

H. Compensated Absences

Compensated absences represent the vested portion of accumulated vacation. 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 retirement pay. A current liability has been recorded in the governmental fund type to account for these vested leave accruals, which are expected to be used within the next fiscal year. At June 30, 2012, a long-term liability of \$19,021 for unpaid vacation and sick leave has been recorded in the government-wide, statement of net assets.

I. Property Taxes

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. Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent if unpaid by August 31. Property tax revenues are recognized in the fiscal year they are received.

J. 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 basis over the useful life of the assets as follows:

<u>Assets</u>	<u>Useful Life</u>
Buildings	50 years
Building improvements	10-20 years
Site improvements	10-20 years
Equipment and machinery	5 to 20 years

RIO LINDA & ELVERTA RECREATION AND PARK DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012**

Note 2: Cash and Investments

Cash and investments at June 30, 2012, consisted of the following:

Checking account	\$	8,413
Imprest cash		300
Cash and investments with County Treasurer		263,651
Total cash and investments	\$	272,364

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

The table below identifies the **investment types** that are authorized for the Rio Linda 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

B. Disclosures Relating to Interest Rate Risk

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

Investment Type	Totals	Remaining Maturity (in Months)			
		12 Months or Less	13 - 24 Months	25 - 36 Months	37 - 48 Months
Sacramento County*	\$ 263,651	\$ 263,651	\$ -	\$ -	\$ -
Total	\$ 263,651	\$ 263,651	\$ -	\$ -	\$ -

*Not subject to categorization

RIO LINDA & ELVERTA RECREATION AND PARK DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012**

Note 2: Cash and Investments (Continued)

C. Concentrations of Credit Risk

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

D. Custodial Credit Risk

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

At June 30, 2012, the District's deposits balance was \$8,413 and the carrying amount was \$8,413. Of the bank balance, all was covered by the Federal Depository Insurance and none was covered by collateral held in the pledging bank's trust department in the District's name.

E. Investment in Government Pool

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

RIO LINDA & ELVERTA RECREATION AND PARK DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012**

Note 3: Property, Plant, and Equipment

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

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 494,927	\$ -	\$ -	\$ 494,927
Construction in progress	-			-
Capital assets, being depreciated:				
Buildings and improvements	1,654,915	-	-	1,654,915
Site and improvements	1,119,640	86,949	-	1,206,589
Equipment	226,599	56,075	-	282,674
Total capital assets, being depreciated	3,001,154	143,024	-	3,144,178
Less accumulated depreciation for:				
Building and improvements	(418,100)	(32,338)	-	(450,438)
Site improvements	(629,597)	(40,566)	-	(670,163)
Equipment	(171,351)	(10,156)	-	(181,507)
Total accumulated depreciation	(1,219,048)	(83,060)	-	(1,302,108)
Total capital assets, being depreciated net	1,782,106	59,964	-	1,842,070
Governmental activities capital assets, net	\$ 2,277,033	\$ 59,964	\$ -	\$ 2,336,997

Note 4: Long-Term Liabilities

The following is a summary of changes in the long-term liabilities for the fiscal year ended June 30, 2012:

Long-term obligations consisted of the following:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Compensated absences	\$ 19,314	\$ 18,284	\$ 18,577	\$ 19,021
Totals	\$ 19,314	\$ 18,284	\$ 18,577	\$ 19,021

Compensated Absences

The District recognizes the accumulated unpaid employee vacation time off as a liability and the long-term portion is recorded as compensated absences in the government-wide statement of net assets. The current portion, if any, is also recorded in the fund financial statement in the general fund.

RIO LINDA & ELVERTA RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2012

Note 5: Park Dedication Fund

The County maintains a separate fund for the benefit of the Rio Linda & Elverta Recreation and Park District. The corpus of the fund consists of in lieu 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 activity of this fund is recorded in the special revenue fund of the District.

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 claims up to \$10,000,000 for general and automobile liability and all risk property insurance, including boiler and machinery coverage, is subject to a \$2,000 deductible occurrence payable by the District. Financial statements for CAPRI are available at the District's office for fiscal year ending June 30, 2012.

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

Note 7: Lease Agreement

The District acting as lessor, is providing the community center facility to serve meals to senior citizens under the Sacramento Elderly Nutrition Program. This lease is treated as an operating lease by the District. The agreement is entered into on a yearly basis and has been renewed for the 2011-12 fiscal year. The District also has operating leases for the BMX track with the Capital Quarter Midget Association and for Ponderosa Farms.

Note 8: Defined Contribution Pension Plan

The District participates in a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is established as an alternative plan to social security and requires all District full time and part time employees to defer a portion of their salary until future years. Plan provisions are established or amended by District board resolution. The District contributes 7.5% of full time salaries and matches 3.75% of part time salaries. The total wages earned, during the fiscal year, by full time, part time participants and Board members was \$470,527. The contributions made by the District, during the fiscal year on behalf of full time, part time participants and Board members was \$29,267. The retirement plan includes 6 full time employees, 5 board members and 20 part time employees at June 30, 2012. Participants vest at service inception and are entitled to 100% of vested contributions.

Note 9: Contracts and Commitments

The District has entered into an agreement with the Monument Security Inc. whereby they provide security for the Park District and are reimbursed on a monthly basis. The District also has entered into an agreement with SAFCA for debris cleanup within the District. SAFCA bills the District for services performed.

RIO LINDA & ELVERTA RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2012

Note 10: Related Party Transactions

The District Board is the same Board for the non profit organization known as the Rio Linda-Elverta Foundation for the Future. The foundation maintains a separate bank account where donations are deposited for the nonprofit organization. The District Board can apply these funds towards paying for programs for disadvantaged enrollee's or for other approved expenditures. During the 2011/12 fiscal year the District collected \$7,000 from the Foundation fundraising for the swim team. The Foundation activity is not recorded in these financial statements.

Note 11: Net Assets/Fund Balances

Net Assets

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

- *Invested in Capital Assets, Net of Related Debt* – This category groups all capital assets, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Assets* – This category presents external restrictions imposed by creditors, grantors, contributors or laws and regulations of other governments and restrictions imposed by law though constitutional provisions or enabling legislation.
- *Unrestricted Net Assets* – This category represents net assets the District, not restricted for any project or other purpose.

Fund Balances

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

As of June 30, 2012, reservations of fund balance are described below:

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

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

Note 12: Contingent Liabilities:

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.

RIO LINDA & ELVERTA RECREATION AND PARK DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues				
Property taxes	\$ 732,900	\$ 732,900	\$ 712,727	\$ (20,173)
Intergovernmental revenues	135,000	355,000	31,710	(323,290)
Use of money and property	22,992	22,992	23,246	254
Charges for current services	146,036	146,036	133,044	(12,992)
Other revenues			4,047	4,047
Total Revenues	<u>1,036,928</u>	<u>1,256,928</u>	<u>904,774</u>	<u>(352,154)</u>
Expenditures				
Salaries and benefits	598,279	598,279	551,022	47,257
Services and supplies	345,055	344,455	300,441	44,014
Capital outlay	126,000	126,000	143,024	(17,024)
Contingency	315,962	315,962	-	315,962
Total Expenditures	<u>1,385,296</u>	<u>1,384,696</u>	<u>994,487</u>	<u>390,209</u>
Excess (Deficit) of Revenues Over Expenditu	<u>(348,368)</u>	<u>(127,768)</u>	<u>(89,713)</u>	<u>38,055</u>
Other Financing Sources (Uses)				
Operating transfers in			20,000	
Operating transfers out				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>-</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	<u>(348,368)</u>	<u>(127,768)</u>	<u>(69,713)</u>	<u>38,055</u>
Fund Balance, July 1, 2011			<u>261,023</u>	
Fund Balance, June 30, 2012			<u>\$ 191,310</u>	

RIO LINDA & ELVERTA RECREATION AND PARK DISTRICT

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2012**

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 sources 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 budgets.

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

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

LARRY BAIN, CPA,
AN ACCOUNTING CORPORATION
2148 Frascati Dr.
El Dorado Hills, CA 95762

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

We have audited the financial statements of the Rio Linda & Elverta Recreation and Park District as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated March 11, 2013. In our report, our opinion was unqualified. 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 of the financial statements of Rio Linda Elverta Recreation and Park District (District) as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the (District)'s internal control. Accordingly, we do not express an opinion on the effectiveness of the (District)'s internal control. Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. We consider the matters noted as 12-1 and 12-2 in the schedule of findings following this report to be a significant deficiencies and material weaknesses in internal control.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the matters noted as 12-3, 12-4, 12-5, 12-6, 12-7, 12-8 and 12-9 in the schedule of findings following this report to be significant deficiencies that were not deemed material weakness in internal control.

The Rio Linda Elverta Recreation and Park District's written response (if any) 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 it.

This communication is intended solely for the information and use of the Board of Directors, management, the Sacramento County Auditor Controller's Office and the Controller's Office of the State of California and is not intended to be and should not be used by anyone other than these specified parties.

Larry Bain, CPA,
An Accounting Corporation
March 11, 2013

RIO LINDA & ELVERTA RECREATION AND PARK DISTRICT

FINDINGS AND RECOMMENDATIONS

JUNE 30, 2012

Significant Deficiencies Deemed to be Material Weaknesses:

Finding 12-1 (Prior year finding 11-1): During our audit we proposed recording the following material audit entries, recorded \$220,000 grant receivable, \$176,000 grant revenue and \$44,000 deferred revenue for state grant reimbursements received in the 2012/12 fiscal year for 2010/11 fiscal year expenditures. Recorded \$13,759 accounts payable discovered during our search for unrecorded liabilities. Reclassified \$51,142 from contingency expense account to due to other governments to properly reflect amount owed to the State for prior years Harvey House project cancellation.

Current Year Follow Up: During the current fiscal year audit we noted the District received \$176,000 of the grant proceeds, but needs to satisfy certain conditions prior to the remaining \$44,000 being paid by the granting agency. We proposed the current year audit entry to eliminate \$176,000 of the prior year receivable accrual offset by a reduction of \$176,000 to grant revenue.

Recommendation: Because the County closes the District books in early July the District is unable to process all year end closing entries with the County. We recommend the District maintain schedules for year-end entries that were not posted at the County and provide these entries to the auditor prior to the audit.

Management Response: District will track and record year-end entries that are not posted at the County and provide these entries to the auditor prior to the annual audit.

Finding 12-2 (Prior year finding 11-3): The District did not implement the provisions of Government Accounting Standards Board Statement 54 as required by U.S. generally accepted accounting policies. This new standard went into effect for fiscal year ending June 30, 2011. The new requirement categorizes fund balances into five separate categories and sets a new definition for special revenue funds.

Current Year Follow Up: During the current fiscal year we noted the District did adopt a GASB 54 policy, but we were not presented with a schedule showing the authorized beginning fund balance amount for each category and the authorized change in those amounts during the 2011/12 fiscal year.

Recommendation: We recommend the District prepare the schedule showing the beginning balances per category and the change in balances during the fiscal year for each category.

Management Response: The District will review provisions for implementing GASB 54 during the 2012/13 fiscal year.

Significant Deficiencies not Deemed Material Weaknesses:

Finding 12-3 (Prior year finding 11-4): During the audit we noted instances where employees took time off, but the schedule used to track compensated absences was not updated. We noted one instance where there was an addition error resulting in under accruing 3 hours of compensated time off. We also noted discrepancies between actual compensated absence accruals and expected accruals based on district policies or employment agreements. We brought these items to the attention of management and the record keeper who made the necessary corrections. We also noted the policy for the vacation accrual did not define if years of service as a part time employee will apply to years of service if employee converts to full time status. The effect of this deficiency is that lack of monitoring could result in valuation errors for accrued time off.

RIO LINDA & ELVERTA RECREATION AND PARK DISTRICT

FINDINGS AND RECOMMENDATIONS

JUNE 30, 2012

Significant Deficiencies not Deemed Material Weaknesses (Continued):

Current year follow up: During the current audit we noted several computational errors that were brought to the attention of the bookkeeper and corrected. We noted one instance where 16 hours vacation, which had been taken and logged in the prior fiscal year, was removed from the schedule during the current fiscal year increasing the employee's current vacation balance. Management was unable to substantiate why those hours were removed from the schedule.

Recommendation: Continue to monitor the vacation and sick leave in accordance with the District policy and employment agreements. An employee independent of the recordkeeping should monitor and reconcile the excel schedules and periodically perform internal checks to verify the accuracy of the accrual/usage activity and formulas.

Management Response: District will continue to monitor the vacation and sick leave in accordance with District Policy and employment agreements. Further, the District will provide additional staff training as needed to enable monitoring Excel schedules and perform periodic internal checks to verify the accuracy of the leave time accrual, usage, and associated formulas.

Finding 12-4 (Prior year finding 11-5): During our testing of cash receipts we noted, for the items tested, cash and check receipts were held at the District for 10 to 29 days before being deposited into bank. This increases the risk of cash larceny and kiting.

Current year follow up: During the current year testing cash and check receipts were held between 5 and 26 days from date of collection to date of deposit to outside bank.

Recommendation: We recommend the District make more frequent deposits to the outside holding account.

Management Response: Currently the District makes weekly deposits of revenues to its account at the Bank of America.

Finding 12-5: We noted the District had a lack of segregation of duties, as one person is capable of handling all aspects of processing transactions from beginning to end. A lack of segregation of duties increases the risk of potential errors or irregularities; however, due to a limited number of personnel an adequate segregation of duties is not possible without incurring additional costs. We have noted this comment in previous audits.

Recommendation: The District should attempt to segregate accounting functions to the greatest extent possible. The Board of Directors also plays a more vital oversight role in reviewing and authorizing accounting records such as cash disbursements, cash receipts, cash transfers, account write-offs, payroll and monthly bank reconciliations. The District could also consider hiring an outside consultant to review the current segregation of incompatible duties to determine the cost of correcting the weakness.

Management Response: The District will investigate the feasibility of contracting for an outside accounting consultant to review the current segregation of incompatible duties in order to determine alternative opportunities for correcting this weakness. The Board's Administration and Finance Committee, as well as the Board of Directors itself, will be encouraged to take a more vial oversight role in reviewing accounting records.

RIO LINDA & ELVERTA RECREATION AND PARK DISTRICT

FINDINGS AND RECOMMENDATIONS

JUNE 30, 2012

Significant Deficiencies not Deemed Material Weaknesses (Continued):

Finding 12-6: During our audit we noted the District did not have a written financial and accounting policy/manual that included internal control procedures. The District should create the financial and accounting policies that demonstrate how transactions are processed from beginning to end. The policy should include the processes for internal controls that are designed to provide reasonable assurance that objectives related to effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations are met. This also should include documenting controls over processing transactions, authorizing transactions and for maintaining and safeguarding assets.

The District also relies on the external auditor to ensure its financial statements are in accordance with GAAP. In addition, the District relies on the external auditor to ensure that all necessary disclosures are included in the notes to the financial statements. The District does not employ a staff member with the necessary knowledge and training to prepare governmental financial statements. In accordance with Statement of Auditing Standards No. 115 external auditors cannot be part of an entity's internal controls over preparation of the financial statements and are prohibited from auditing their own work, which would impair their independence. The District is limited in preparing GAAP financial statements because the County of Sacramento closes their books in mid July which does not give the District sufficient time to process all year end closing entries. We have noted this comment in previous audits.

Recommendation: We recommend the District create a written financial and accounting policy. The District should also consider training staff in preparing GAAP financial statements or hire an external qualified accountant to prepare the GAAP financial statements. The District should provide the auditor with all known year end accounting entries that were not posted at the County. The District could opt to take no action if it considers the cost will outweigh the benefit.

Management Response: District staff initiated development of a written financial and accounting policy manual in January 2012 and is exploring training opportunities for the Administrative Analyst to prepare the GAAP financial statements. It is unlikely the District can afford to contract with an external accountant for this service.

Finding 12-7: During our search of repair and maintenance accounts we discovered \$26,158 expenses that should have been recognized as capital expense. During our search for unrecorded accounts payable we also discovered an additional \$48,311 that should have been accrued and recorded as capital additions at June 30, 2012. We proposed reclassification/journal entries to properly recognize these items as capital expense in the fund financial statements and as capital assets in the government-wide financial statements.

Recommendation: We recommend the District review controls over account coding to ensure that expenses are recorded in the appropriate expense accounts. We also recommend the District provide the auditor with a list of accounts payables at fiscal year-end for items that meet the definition of an accrual, but were not recorded at the County because of the Counties short year end cut off period.

Finding 12-8: During our testing of cash in the outside holding account we noted that no formal bank reconciliation was being prepared. Furthermore we noted after the June 19, 2012 transfer to the County was made, there was a \$314.51 negative balance resulting in a \$35 overdraft fee. During our receipts testing we noted that when a credit card refund is made from this account there is no authorization from a management/supervisory employee approving the refund transaction. This increases the risk that refunds can be made for personal gain without being detected by District internal controls.

Recommendation: We recommend the District reconcile the outside holding account on a monthly basis. We also recommend that an employee independent of the receipting process review and approve credit card refunds.

RIO LINDA & ELVERTA RECREATION AND PARK DISTRICT

FINDINGS AND RECOMMENDATIONS

JUNE 30, 2012

Significant Deficiencies not Deemed Material Weaknesses (Continued):

Finding 12-9: During our testing of payroll we noted two instances where payments were made to independent contractors, however no contract could be located by the District to verify the payments being made and terms of the agreement.

Recommendation: We recommend obtaining/retaining independent contractor agreements to support the payment and terms for these individuals.