

Russian River Recreation and Park District

**Annual Report
For the Fiscal Year Ended
June 30, 2010**



DONNA DUNK
Interim Auditor-Controller
Treasurer-Tax Collector

Russian River Recreation and Park District

**Annual Report
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ASSISTANT
TREASURER

Board of Directors
Russian River Recreation and Park District
Guerneville, CA

Auditor-Controller's Report

We have audited the accompanying basic financial statements of the Russian River Recreation and Park District (the District), as of and for the year ended June 30, 2010, which collectively comprise the basic financial statements 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 the 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 misstatements. 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.

As described in Note IV.B of the Notes to the Basic Financial Statements, the Auditor-Controller is mandated by various statutes within the California Government Code to perform certain accounting, auditing, and financial reporting functions. These activities, in themselves, necessarily impair the auditor's independence. However, we believe adequate safeguards and divisions of responsibility exist.

In our opinion, except for the effects, if any, of the impairment to auditor independence, the basic financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2010, and the respective changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis (MD&A) is not a required part of the basic financial statements but is supplementary information required by the Government 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.

Sonoma County Auditor-Controller

July 11, 2011

Management's Discussion and Analysis

As management of the Russian River Recreation and Park District (the District) we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with the District's financial statements and the accompanying notes to the financial statements.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$514,231 (net assets). Of this amount, \$121,342 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The District's total net assets decreased by \$(2,485). This decrease is a result of expenses exceeding revenues in the governmental activities.
- As of the close of the current fiscal year, the District's governmental fund reported an ending fund balance of \$124,112, an decrease of \$(16,857) in comparison with the prior year. This total amount is available for spending at the government's discretion (unreserved fund balance).
- At the end of the year, unreserved fund balance for the general fund was \$124,112 or 51.9% of total general fund expenditures of \$239,001.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District's funds are governmental funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District uses governmental funds to account for its activities. The district adopts an annual appropriated budget for its funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

The District applied Governmental Accounting Standards Board (GASB) Statement No. 34 in this report.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$514,231 at the close of the most recent fiscal year.

A large portion of the District's net assets (76.4%) reflects its investment in capital assets (e.g., land, buildings and improvements and equipment). The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

**Net Assets
As of June 30,**

	2010	2009
Current and other assets	\$ 124,906	\$ 154,638
Due from Other Govnments	20,435	0
Capital assets, net of accumulated depreciation	392,889	383,023
Total assets	538,230	537,661
Long-term liabilities outstanding	2,770	7,276
Other liabilities	21,229	13,669
Total liabilities	23,999	20,945
Net assets:		
Invested in capital assets, net of related debt	392,889	383,023
Unrestricted	121,342	133,693
Total net assets	\$ 514,231	\$ 516,716

The balance of unrestricted net assets \$121,342 may be used to meet the District's ongoing obligations to citizens and vendors.

At the end of the current fiscal year, the District is able to report positive balances in both categories of net assets. The same held true for the prior fiscal year.

During the current Fiscal Year, the district purchased new boards for the lower dam totaling \$4,155 and began construction of the remodeled Wright Park playground spending \$20,453.

Governmental activities. Governmental activities decreased the District's net assets by \$(2,485). This decrease is a result of expenditures exceeding revenues in the governmental activities.

**Changes in Net Assets
For the Fiscal Year Ended June 30,**

	2010	2009
Revenues:		
Program Revenues:		
Charges for services	\$ 4,718	\$ 6,077
Capital grants and contributions	20,435	16,350
General Revenues:		
Property taxes	191,589	198,423
Investment income	1,212	2,823
Miscellaneous	4,190	706
Total revenues	222,144	224,379
Expenses:		
Program Expenses:		
Public recreation	224,629	218,662
Change in net assets	(2,485)	5,717
Net assets - beginning of the year	516,716	510,999
Net assets - end of the year	\$ 514,231	\$ 516,716

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental funds. The focus of the District's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental fund reported ending fund balance of \$124,112, an decrease of \$(16,857) in comparison with the prior year. This entire amount constitutes unreserved fund balance, which is available for spending at the government's discretion.

As a measure of the District's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. As of the end of the current fiscal year, unreserved fund balance represents 51.9% of total fund expenditures.

General Fund Budgetary Highlights

There were no changes to the original adopted budget.

Capital assets: The District's investment in capital assets, as of June 30, 2010, amounts to \$392,889 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and equipment. The net increase in the District's investment in capital assets for the current fiscal year was \$9,866.

Major capital asset events during the current fiscal year included the following:

- New material was purchased for the lower dam totaling \$4,155.
- Design and construction of the remodeled Wright Park playground began with total spending of the project for the Fiscal Year end 2010 was \$20,435. This project is sponsored by a State Grant.
- Depreciation of the capital assets \$14,724

Additional information on the District's capital assets can be found in note III.B of this report.

Economic Factors and Next Year's Budget

With the current economic downturn, the District is expecting a decline in property tax revenues. There also is a potential that the market for pay-as-you-go type recreational programs will be less profitable due to citizens having less money for discretionary spending. These factors were considered in preparing the District's budget as of June 30, 2011.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Russian River Recreation and Park District, P. O. Box 195, Guerneville, CA 95446.

Russian River Recreation and Park District
Statement of Net Assets
June 30, 2010

Assets

Cash and investments	\$	124,906
Due from other governments		20,435
Capital assets, net of accumulated depreciation		
Land		73,357
Building and improvements		292,240
Equipment		6,857
Construction in progress		20,435
		538,230
Total assets		538,230

Liabilities

Accounts payable		21,229
Non-current liabilities:		
Compensated absences		2,770
		23,999
Total liabilities		23,999

Net Assets

Invested in capital assets, net of related debt		392,889
Unrestricted		121,342
		514,231
Total net assets	\$	514,231

Russian River Recreation and Park District
Statement of Activities
For the Fiscal Year Ended June 30, 2010

Program Expenses

Public recreation:

Salaries and employee benefits	\$ 97,238
Services and supplies	112,667
Depreciation	<u>14,724</u>

Total program expenses	<u>224,629</u>
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Program Revenues

Charges for services:

Intergovernmental revenue	2,878
Charges for services	<u>1,840</u>

Total charges for services	<u>4,718</u>
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Capital grants and contributions	<u>20,435</u>
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Total program revenues	<u>25,153</u>
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Net program revenues (expenses)	<u>(199,476)</u>
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General Revenues

Property taxes	191,589
Investment earnings	1,212
Miscellaneous	<u>4,190</u>

Total general revenues	<u>196,991</u>
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Change in net assets	(2,485)
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Net assets, beginning of year	<u>516,716</u>
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Net assets, end of year	<u><u>\$ 514,231</u></u>
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The notes to the basic financial statements are an integral part of this statement.

**Russian River Recreation and Park District
Balance Sheet
Governmental Fund
June 30, 2010**

Assets

Cash and investments	\$ 124,906
Due from other Governments	20,435
	145,341
Total assets	\$ 145,341

Liabilities and Fund Balance

Liabilities:	
Accounts payable	\$ 21,229
Fund balance:	
Unreserved:	124,112
	124,112
Total liabilities and fund balance	\$ 145,341

Reconciliation of Balance Sheet to Statement of Net Assets

Fund balance - total government funds	\$ 124,112
Amount reported for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	392,889
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Compensated absences	(2,770)
Net assets of governmental activities	\$ 514,231

**Russian River Recreation and Park District
Statement of Revenues, Expenditures and
Changes in Fund Balance
Governmental Fund
For the Fiscal Year Ended June 30, 2010**

Revenues

Property taxes	\$ 191,589
Investment earnings	1,212
Intergovernmental revenue	2,878
Grant revenue	20,435
Charges for services	1,840
Miscellaneous	<u>4,190</u>
Total revenues	<u>222,144</u>

Expenditures

Public Recreation:	
Salaries and employee benefits	101,744
Services and supplies	112,667
Capital outlay	<u>24,590</u>
Total expenditures	<u>239,001</u>

Net change in fund balance	(16,857)
Fund balance, beginning of year	<u>140,969</u>
Fund balance, end of year	<u>\$ 124,112</u>

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

**Russian River Recreation and Park District
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balance of the Governmental Fund to the
 Statement of Activities
 For the Fiscal Year Ended June 30, 2010**

**Amounts reported for governmental activities in the statement of activities
 are different because:**

Net change in fund balance - total governmental fund	\$ (16,857)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Current year depreciation	(14,724)
The net effect of various transactions involving the purchase and sale of capital assets is to increase net assets	
Change in Compensated absences	4,506
Change in net assets of governmental activities	\$ (2,485)

Russian River Recreation and Park District
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budgets and Actual
General Fund
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 198,674	\$ 198,674	\$ 191,589	\$ (7,085)
Investment earnings	3,000	3,000	1,212	(1,788)
Intergovernmental revenue	7,970	7,970	2,878	(5,092)
Grant revenue	40,000	40,000	20,435	(19,565)
Charges for services	3,600	3,600	1,840	(1,760)
Miscellaneous	4,811	4,811	4,190	(621)
Total revenues	<u>258,055</u>	<u>258,055</u>	<u>222,144</u>	<u>(35,911)</u>
Expenditures				
Current:				
Salaries and employee benefits	108,880	108,880	101,744	7,136
Services and supplies	184,095	184,095	112,667	71,428
Capital outlay	64,000	64,000	24,590	39,410
Appropriations for contingency	42,048	42,048	-	42,048
Total expenditures	<u>399,023</u>	<u>399,023</u>	<u>239,001</u>	<u>160,022</u>
Net change in fund balance				
Budgetary, GAAP Basis	(140,968)	(140,968)	(16,857)	124,111
Fund balance, beginning of year	140,969	140,969	140,969	-
Fund balance, end of year	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 124,112</u>	<u>\$ 124,111</u>

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

Russian River Recreation and Park District
Notes to the Basic Financial Statements
June 30, 2010

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Russian River Recreation and Park District of Sonoma County was organized on March 21, 1941 as a County Recreation District and was reorganized under the Public Resources Code, Section 5780 et seq., by Resolution #19438 on March 29, 1960. The District is governed by a five-member elected Board of Directors. The purpose of the District is to encourage and support recreational activities which contribute to the education, entertainment, physical, cultural and moral development of individuals or groups. The District also maintains five parks, four playgrounds, three tennis courts, and two summer dams.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or section and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Russian River Recreation and Park District
Notes to the Basic Financial Statements
June 30, 2010

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Taxes, interest, and charges for services are accrued when receipt occurs within 365 days of the end of the accounting period so as to be both measurable and available. Licenses, permits, fines, forfeitures, and other revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Property taxes are accrued when their receipt occurs within sixty days of the end of the accounting period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims judgments are recorded only when payment is due.

Amounts recorded as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided and 2) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Investments

The District reports certain investments at fair value in the balance sheet and recognizes the corresponding change in the fair value of investments in the year in which the change occurred.

2. Property Taxes

The County of Sonoma is responsible for assessing, collecting and distributing property taxes in accordance with state law. Liens on real property are established January 1 for the ensuing fiscal year. The property tax is levied as of July 1 on all taxable property located in the County of Sonoma. Secured property taxes are due in two installments, on November 1 and February 1, and are delinquent after December 10 and April 10, respectively. Additionally, supplemental property taxes are levied on a pro rata basis when changes in assessed valuation occur due to sales transactions or the completion of construction.

Since the passage of California's Proposition 13, beginning with the fiscal year 1978/1979, general property taxes are based either on a flat 1% rate applied to the 1975/1976 full value, or on 1% of the sales price of the property on sales

Russian River Recreation and Park District
Notes to the Basic Financial Statements
June 30, 2010

transactions and construction after the 1975/1976 valuation. Taxable values on properties (exclusive or increases related to sales and construction) can rise at a maximum of 2% per year.

On June 30, 1993, the Board of Supervisors adopted the “Teeter” Method of property tax allocation. This method allocates property taxes based on the total property tax billed. At year-end the County advances cash to each taxing jurisdiction equal to its current year delinquent property taxes. In exchange, the County receives the penalties and interest on delinquent taxes when collected. The penalties and interest are used to pay the interest cost of borrowing the cash used for the advances.

3. Capital Assets

Capital assets, which include land, buildings and improvements, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$3,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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.

Buildings and improvements and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	30 – 50 years
Equipment	10 years

The District recognizes a full year of depreciation in the year that assets are placed in service.

4. Compensated Absences

Vacation and sick leave are earned only by the maintenance supervisor. Vacation is accrued at a rate of 40 hours per year. Sick leave is accrued at a rate of 8 hours per month. Both must be used within 2 years. All vacation pay is

Russian River Recreation and Park District
Notes to the Basic Financial Statements
June 30, 2010

accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignation and retirements.

5. Net Assets

Net assets are classified into three components: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt – This component of net assets consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of capital leases.
- Restricted net assets (if any) – This component of net assets consists of net assets with limits on their use that are imposed by outside parties.
- Unrestricted net assets – This component of net assets consists of net assets that do not meet the definitions of “invested in capital assets, net of related debt” or “restricted net assets”.

6. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. Estimates

The preparation of financial statements 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 expenses during the reporting period. Actual results could differ from those estimates.

Russian River Recreation and Park District
Notes to the Basic Financial Statements
June 30, 2010

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

Budgetary revenue estimates represent original estimates modified for any authorized adjustment which was contingent upon new or additional revenue sources. Budgetary expenditure amounts represent original appropriations adjusted by budget transfers and authorized appropriation adjustments made during the year. All budgets are adopted on a non-GAAP basis.

III. Detailed Notes

A. Cash and Investments

Investment in the Sonoma County Treasurer's Investment Pool

As authorized by Public Resources Code Section 5784.7(d) the District's cash is pooled with the Sonoma County Treasurer, who acts as a disbursing agent for the District. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the Treasury Pool for the entire Treasury Pool portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on accounting records maintained by the Treasury Pool, which are recorded on an amortized cost basis. Interest earned on investments pooled with the County is allocated quarterly to the appropriate fund based on its respective average daily balance for that quarter. The Treasury Oversight Committee has regulatory oversight for all monies deposited into the Treasury Pool.

The June 30, 2010 cash balance consists of:

	<u>Amortized Cost</u>	<u>Fair Value</u>
Cash with County Treasury	\$124,906	\$125,157

The fair value of the cash investments with the Treasurer is \$251 more than the amortized cost of those investments. An adjustment was not made for the difference between cost and fair value in the District's financial statements.

Russian River Recreation and Park District
Notes to the Basic Financial Statements
June 30, 2010

Investment Guidelines

The District's pooled cash and investments are invested pursuant to investment policy guidelines established by the County Treasurer and approved by the Board of Supervisors. The objectives of the policy are, in order of priority: safety of capital, liquidity and maximum rate of return. The policy addresses the soundness of financial institutions in which the County will deposit funds, types of investment instruments as permitted by the California Government Code 53601, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity.

A copy of the Treasury Pool investment policy is available upon request from the Sonoma County Treasurer at 585 Fiscal Drive, Room 100-F, Santa Rosa, California, 95403-2871.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, one of the ways that the Treasury Pool manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations.

As of June 30, 2010, approximately 65 percent of the securities in the Treasury Pool had maturities of one year or less. Of the remainder, less than 6 percent had a maturity of more than five years.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Treasury Pool does not have a rating provided by a nationally recognized statistical rating organization.

Russian River Recreation and Park District
Notes to the Basic Financial Statements
June 30, 2010

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 deposits 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 to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Treasury Pool'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 and securities lending transactions:

- The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by depository regulated under stated law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.
- The California Government Code limits the total of all securities lending transactions to 20% of the fair value of the investment portfolio.

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as the Treasury Pool).

Concentration of Credit Risk

The investment policy of the County contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. For a listing of investments in any one issuer (other than U.S. Treasury securities, mutual funds, or external investment pools) that represent 5% or more of total County investments, refer to the 2010 Sonoma County Comprehensive Annual Financial Report.

B. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

Russian River Recreation and Park District
Notes to the Basic Financial Statements
June 30, 2010

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers & Adjustments</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:					
Land	\$ 73,357	\$ -	\$ -	\$ -	\$ 73,357
Construction in Progress	0	20,435			20,435
Total capital assets, not being depreciated	<u>73,357</u>	<u>20,435</u>	<u>-</u>	<u>-</u>	<u>93,792</u>
Capital assets, being depreciated:					
Buildings and improvements	615,061	4,155	-	-	619,216
Equipment	33,555	-	-	-	33,555
Total capital assets, being depreciated	<u>648,616</u>	<u>4,155</u>	<u>-</u>	<u>-</u>	<u>652,771</u>
Less accumulated depreciation for:					
Buildings and improvements	(314,003)	(12,973)	-	-	(326,976)
Equipment	(24,947)	(1,751)	-	-	(26,698)
Total accumulated depreciation	<u>(338,950)</u>	<u>(14,724)</u>	<u>-</u>	<u>-</u>	<u>(353,674)</u>
Total capital assets, being depreciated, net	<u>309,666</u>	<u>-10,569</u>	<u>-</u>	<u>-</u>	<u>299,097</u>
Capital assets, net	<u>\$ 383,023</u>	<u>\$ 9,866</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 392,889</u>

Depreciation expense was charged to functions/programs of the District as follows:

Governmental activities:

 Public recreation \$ 14,724

During the Fiscal Year 2009/2010, new boards were purchased for the lower dam and construction began on the new Wright Park playground.

C. Long-term Debt

Changes in long-term debt

Long-term liability activity for the year ended June 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-term liabilities:					
Compensated absences	\$ 7,276	\$ -	\$ (4,506)	\$ 2,770	\$ -

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IV. Other Information

A. Risk Management

The District is covered for general liability, auto and errors and omissions coverage through its participation with other recreation and park districts in the California Association of Park and Recreation Insurance (CAPRI) group program. The District participates with other recreation and park districts in the Park and Recreation District Employee Compensation Joint Powers Agreement (PARDEC) for self insured workers' compensation coverage.

B. Auditor Independence

As required by various statutes within the California Government Code, County Auditor-Controllers are mandated to perform certain accounting, auditing and financial reporting functions. These activities, in themselves, necessarily impair the auditor's independence. Specifically, "Auditors should not audit their own work or provide non audit services in situations where the amounts or services involved are significant or material to the subject matter of the audit." Although the office of the Auditor-Controller is statutorily obligated to maintain accounts of departments, districts or funds that are contained within the County Treasury, we believe that adequate safeguards and divisions of responsibility exist. Therefore, we believe that subject to this qualification and disclosure, the reader can rely on the auditor's opinion contained in this report.

C. Proposition 1A Borrowing by the State of California

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the Russian River Recreation and Park District was \$13,436.

Authorized with the 2009-10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority ("California Communities"), a joint powers authority sponsored by the

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California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities.

D. New Accounting Pronouncements

Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*, issued in February 2009. This Statement establishes accounting and financial reporting standards for all governments that report governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. GASB Statement No. 54 is effective for financial statements for fiscal years beginning after June 15, 2010.

The impact on the basic financial statements of the County of these pronouncements which have been issued, but not yet adopted, is unknown at this time.

**Russian River Recreation and Park District
Roster of Board Members**

As of July 11, 2011, the District Board consisted of the following members:

<u>Directors:</u>	<u>Office</u>	<u>Term Expires</u>
Dana Zimmerman	Chairman	December, 2011
Steve Jackson	Vice Chairman	December, 2013
Ty McDonald		December, 2013
Herman J. Hernandez		December, 2011
Dominic Farnocchia		December, 2011

Other Positions:

Paige MacDonell	Fiscal Officer	Continuous
John Condon.....	Maintenance Supervisor.....	Continuous

Regular Meetings:

The regular meeting of the Board of Directors is held at 7:00 P.M. on the third Wednesday of each month at the Russian River Senior Center, 15010 Armstrong Woods Rd, Guerneville, California. (707) 869-9184.