

Monte Rio Recreation and Park District

**Annual Report
For the Fiscal Year Ended
June 30, 2009**

Monte Rio Recreation and Park District

**Annual Report
For the Fiscal Year Ended
June 30, 2009**

Table of Contents

	<u>Page</u>
Auditor-Controller's Report	
Management's Discussion and Analysis	1 – 5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	6
Statement of Activities	7
Fund Financial Statements:	
Balance Sheet – Governmental Fund	8
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund	9
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Fund to the Statement of Activities	10
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	11
Notes to the Basic Financial Statements	12 – 20
Roster of Board Members	21

RODNEY A. DOLE
AUDITOR-CONTROLLER
TREASURER-TAX COLLECTOR

**Auditor-Controller
Treasurer-Tax Collector**
County of Sonoma

585 FISCAL DRIVE
SUITE 101F
SANTA ROSA, CALIFORNIA
95403-2819
(707) 565-2631
FAX (707) 565-3489

DONNA M. DUNK
ASSISTANT
AUDITOR-CONTROLLER

ROBERT BOITANO
ASSISTANT
TREASURER

PAM JOHNSTON
ASSISTANT
TAX COLLECTOR/AUDITOR

Board of Directors
Monte Rio Recreation and Park District
Monte Rio, CA

Auditor-Controller's Report

We have audited the accompanying financial statements of the Monte Rio Recreation and Park District, (the District) as of and for the year ended June 30, 2009, 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, 2009, 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 accompanying financial statements have been prepared assuming that the District will continue as a going concern. As discussed in Note IV.C to the financial statements, the District has suffered from low revenue and high expenditures which has raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also

described in Note IV.C. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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

June 30, 2010

Management's Discussion and Analysis

As management of the Monte Rio 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, 2009. We encourage readers to consider the information presented here in conjunction with the District's financial statements and the accompanying notes to the basic financial statements.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$1,581,464 (net assets). None of this amount (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The District's total net assets increased by \$568,484. This increase is a result of revenues exceeding expenditures in the governmental activities.
- As of the close of the current fiscal year, the District's governmental fund reported an ending fund balance of (\$2,695), a decrease of \$32,822, in comparison with the prior year. This amount is not 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 (\$2,695) or less than 1% of total general fund expenditures of \$925,440.

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. This report also contains other supplementary information in addition to the basic financial statements themselves.

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, which include park and recreation services in the district boundaries. 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 basic 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 \$1,581,464 at the close of the most recent fiscal year.

A large portion of the District's net assets (95 percent) 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
June 30, 2009 and 2008

	2009	2008
Current and other assets	\$ 0	\$ 1,659
Capital assets	1,584,159	982,853
Total assets	1,584,159	984,512
Net assets:		
Invested in capital assets	1,584,159	982,853
Unrestricted	(2,695)	30,127
Total net assets	\$ 1,581,464	\$ 1,012,980

The District reported a negative unrestricted net assets balance of (\$2,695) at fiscal year end.

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

Governmental activities. Governmental activities increased the District's net assets by \$564,484. This increase is a result of revenues exceeding expenditures in the governmental activities.

**Changes in Net Assets
For the Fiscal Year Ended June 30, 2009 and 2008**

	2009	2008
Revenues:		
Program revenues:		
Community services	\$ 770,147	\$ 151,534
General revenues:		
Property taxes	102,028	103,887
Investment earnings	0	3,973
Insurance reimbursement	0	96,888
Donations	18,484	27,058
Miscellaneous	1,959	4,554
Total revenues	892,618	387,894
Expenses:		
Community services	324,134	313,130
Increase in net assets	568,484	74,764
Net assets - beginning of the year	1,012,980	938,216
Net assets - end of the year	\$ 1,581,464	\$ 1,012,980

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 funds 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 (\$2,695), a decrease of \$32,822 in comparison with the prior year.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance of the general fund was (\$2,695).

General Fund Budgetary Highlights

Material differences between the final budget and the actual revenue can be briefly summarized as follows:

- \$671,187 over budget for contribution from Community Development Commission
- \$56,106 under for Real estate rental revenue
- \$15,169 over for Grant revenue
- \$18,484 over for Donations

Capital Assets

The District's investment in capital assets, as of June 30, 2009, amounts to \$1,584,159 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and equipment. The total increase in the District's investment in capital assets for the current fiscal year was \$601,307.

Major capital asset events included the following:

- Contribution from Community Development Commission \$671,187
- Depreciation expense for the year was \$63,071.

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

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 the District, P. O. Box 877, Monte Rio, CA 95462-0877.

Monte Rio Recreation and Park District
Statement of Net Assets
June 30, 2009

Assets

Capital assets (net of accumulated depreciation)	
Non-depreciable	73,177
Depreciable, net	<u>1,510,982</u>
Total assets	<u>1,584,159</u>

Liabilities

Due to other governments	<u>2,695</u>
Total liabilities	<u>2,695</u>

Net Assets

Invested in capital assets, net of related debt	1,584,159
Unrestricted	<u>(2,695)</u>
Total net assets	\$ <u><u>1,581,464</u></u>

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

Monte Rio Recreation and Park District
Statement of Activities
For the Fiscal Year Ended June 30, 2009

Program Expenses

Community services		
Salaries and employee benefits	\$	58,959
Services and supplies		195,294
Loss on sale of capital asset		6,809
Depreciation		63,072
		<u>324,134</u>
Total program expenses		<u>324,134</u>

Program Revenues

Charges for services		
Rental & concession revenue		46,685
Real estate rental revenue		31,311
Grants and contributions		15,169
Intergovernmental revenue		1,511
Sale of capital asset		4,284
Contribution from other government		671,187
		<u>770,147</u>
Total program revenues		<u>770,147</u>
Net program revenues (expenses)		<u>446,013</u>

General Revenues

Property taxes		102,028
Donations		18,484
Miscellaneous		1,959
		<u>122,471</u>
Total general revenues		<u>122,471</u>

Change in net assets		568,484
Net assets, beginning of year		<u>1,012,980</u>
Net assets, end of year	\$	<u><u>1,581,464</u></u>

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

**Monte Rio Recreation and Park District
Balance Sheet
Governmental Fund
June 30, 2009**

Liabilities

Due to other governments	\$ <u>2,695</u>
Total liabilities	<u><u>2,695</u></u>

Fund balance

Fund balance:	
Unreserved	<u>(2,695)</u>
Total liabilities and fund balance	<u><u>\$ (2,695)</u></u>

Reconciliation of Balance Sheet to Statement of Net Assets

Fund balance - total government funds	\$ (2,695)
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.	<u>1,584,159</u>
Net assets of governmental activities	<u><u>\$ 1,581,464</u></u>

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

**Monte Rio Recreation and Park District
Statement of Revenues, Expenditures and
Changes in Fund Balance
Governmental Fund
For the Fiscal Year Ended June 30, 2009**

Revenues

Property taxes	\$	102,028
Intergovernmental revenue		1,511
Contribution from other government		671,187
Real estate rent revenue		31,311
Rental & concession revenue		46,685
Grant revenue		15,169
Sale of capital asset		4,284
Miscellaneous		1,959
Donations		<u>18,484</u>
Total revenues		<u>892,618</u>

Expenditures

Current:		
Salaries and employee benefits		58,959
Services and supplies		195,294
Capital outlay		<u>671,187</u>
Total expenditures		<u>925,440</u>

Net change in fund balance		(32,822)
Fund balance, beginning of year		<u>30,127</u>
Fund balance, end of year	\$	<u><u>(2,695)</u></u>

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

**Monte Rio 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, 2009**

**Amount reported for governmental activities in the statement of activities
 (page 8) is different because:**

Net change in fund balance - governmental fund (page 9)	\$	(32,822)
<p>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.</p>		
Expenditure for capital assets		671,187
Current year depreciation		(63,072)
Sale of capital asset		(6,809)
Change in net assets of governmental activities (page 7)	\$	<u><u>568,484</u></u>

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

Monte Rio 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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 106,102	\$ 106,102	\$ 102,028	\$ (4,074)
Investment earnings	1,600	1,600		(1,600)
Intergovernmental revenue	16,669	16,669	1,511	(15,158)
Contribution from other government			671,187	671,187
Real estate rental revenue	87,417	87,417	31,311	(56,106)
Rental & concession revenue	36,300	36,300	46,685	10,385
Sale of capital asset			4,284	4,284
Grant revenue			15,169	15,169
Miscellaneous			1,959	1,959
Donations	74,500	74,500	18,484	(56,016)
	<u>322,588</u>	<u>322,588</u>	<u>892,618</u>	<u>570,030</u>
Expenditures				
Current:				
Salaries and employee benefits	60,550	60,550	58,959	1,591
Services and supplies	193,617	193,617	195,294	(1,677)
Capital outlay	68,421	68,421	671,187	(602,766)
	<u>322,588</u>	<u>322,588</u>	<u>925,440</u>	<u>(602,852)</u>
Net change in fund balance	0	0	(32,822)	(32,822)
Fund balance, beginning of year	30,127	30,127	30,127	0
Fund balance, end of year	<u>\$ 30,127</u>	<u>\$ 30,127</u>	<u>\$ (2,695)</u>	<u>\$ (32,822)</u>

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

Monte Rio Recreation and Park District
Notes to the Basic Financial Statements
June 30, 2009

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Monte Rio Recreation and Park District of Sonoma County was originally formed on November 25, 1948 as a County Recreation District and was reorganized under the Public Resources Code, Section 5780 et seq., by Resolution #21133 on November 1, 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 include swimming, canoeing, miniature golf and tennis which contribute to the education, entertainment, physical, cultural and moral development of individuals or groups attending these activities in the Monte Rio area. The District provides lifeguards at the beach area and manages a concession stand during the summer season. The District also maintains a Senior Citizens Clubhouse and an outdoor amphitheater stage for summer entertainment such as plays and concerts.

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 nonfiduciary 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

Monte Rio Recreation and Park District
Notes to the Basic Financial Statements
June 30, 2009

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.

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. Receivables and Payables

a. 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

**Monte Rio Recreation and Park District
Notes to the Basic Financial Statements
June 30, 2009**

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 transactions and construction after the 1975/1976 valuation. Taxable values on properties (exclusive of 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, Construction in progress 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:

Assets	Years
Buildings and improvements	30 years
Equipment	10 years

Monte Rio Recreation and Park District
Notes to the Basic Financial Statements
June 30, 2009

4. Net Assets

Net assets are classified into two components – invested in capital assets, net of related debt and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt (if any) – This component of net assets consists of capital assets including restricted capital assets, net of accumulated depreciation and net of any related debt.
- Unrestricted net assets – This component of net assets consists of net assets not restricted for any other purpose or project.

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. The District's budgetary information was amended during the year by resolution of the Board of Directors.

III. Detailed Notes

A. Cash and Investments

Investment in the Sonoma County Treasurer's Investment Pool

As authorized by Health and Safety Code 13854 (a), 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

Monte Rio Recreation and Park District
Notes to the Basic Financial Statements
June 30, 2009

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.

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 Auditor-Controller Treasurer-Tax-Collector 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, 2009, approximately 70 percent of the securities in the Treasury Pool had maturities of one year or less. Of the remainder, only 4 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

Monte Rio Recreation and Park District
Notes to the Basic Financial Statements
June 30, 2009

does not have a rating provided by a nationally recognized statistical rating organization.

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 2009 Sonoma County CAFR

Monte Rio Recreation and Park District
Notes to the Basic Financial Statements
June 30, 2009

B. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers &</u> <u>Adjustments</u>	<u>Ending</u> <u>Balance</u>
Capital assets, not being depreciated:					
Land	\$ 73,177	\$	\$	\$	\$ 73,177
Total capital assets, not being depreciated	<u>73,177</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>73,177</u>
Capital assets, being depreciated:					
Buildings and improvements	908,033	671,187			1,579,220
Equipment	<u>192,792</u>		<u>(18,404)</u>		<u>174,388</u>
Total capital assets, being depreciated	<u>1,100,825</u>	<u>671,187</u>	<u>(18,404)</u>	<u>0</u>	<u>1,753,608</u>
Less accumulated depreciation for:					
Buildings and improvements	(116,839)	(47,377)			(164,216)
Equipment	<u>(74,310)</u>	<u>(15,695)</u>	<u>11,595</u>		<u>(78,410)</u>
Total accumulated depreciation	<u>(191,149)</u>	<u>(63,072)</u>	<u>11,595</u>	<u>0</u>	<u>(242,626)</u>
Total capital assets, being depreciated, net	<u>909,676</u>	<u>608,115</u>	<u>(6,809)</u>	<u>0</u>	<u>1,510,982</u>
Capital assets, net	<u>\$ 982,853</u>	<u>\$ 608,115</u>	<u>\$ (6,809)</u>	<u>\$ 0</u>	<u>\$ 1,584,159</u>

Depreciation expense was charged to functions/programs of the Monte Rio Recreation and Park District as follows:

Governmental activities:	
Community services	<u>\$ 63,072</u>

Monte Rio Recreation and Park District
Notes to the Basic Financial Statements
June 30, 2009

IV. Other Information

A. Risk Management

The District is covered for general business liability 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 also maintains flood insurance coverage through Banker's Insurance Company as well as Workers' Compensation coverage through State Compensation Insurance Fund.

As a member of a public entity risk pool, the District is responsible for appointing an employee as a liaison between the District and the system, implementing all policies of the system, promptly paying all contributions, and cooperating with the system and any insurer of the system. The system is responsible for providing insurance coverage as agreed upon, assisting the District with implementation, providing claims adjusting and defense of any civil action brought against an officer of the system.

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.

Monte Rio Recreation and Park District
Notes to the Basic Financial Statements
June 30, 2009

C. Going Concern

The District's high expenditures and low revenues raises substantial doubt about the District's ability to continue as a going concern.

In order to try and mitigate the low revenues and high cost of keeping the District running, they have hired an Events Manager to attract and bring in revenue via the use of renting out the new Community Center. In addition, the District has been working with LAFCO and the County Administrator's office to try and get the District boundaries changed which would allow for higher tax revenue for the District.

D. Subsequent Event

The District is named in a lawsuit from a drowning that occurred in June 2008. At this point, the amount that the District may be liable for cannot be determined. The lawsuit is being handled by the District's insurance carrier.

E. Excess of expenditures over appropriations

For the year ended June 30, 2009, expenditures exceeded appropriations by \$2,695. The District has a line of credit with the County Treasury in order to cover their expenses. The line is paid off when they receive their quarterly tax revenue.

Monte Rio Recreation and Park District

Roster of Board Members

As of June 30, 2010, the District Board consisted of the following members:

<u>Directors:</u>	<u>Office</u>	<u>Term Expires</u>
Suzi Schaffert	Chairman	December, 2013
Stephen Baxman		December, 2011
Gretchen L. Mino		December, 2011
Ron Moore		December, 2011
Peter Andrews		December, 2013

Clerk of the Board:

Roberta Pollard	Administrator	N/A
-----------------------	---------------------	-----

Regular Meetings:

The regular meeting of the Board of Directors is held at 6:30 P.M. on the first Monday of each month at the Monte Rio Community Center, located at 20488 Highway 116, Monte Rio, CA 95462. (707) 865-2487