

**MONTE RIO RECREATION AND PARK DISTRICT
Financial Statements**

June 30, 2012

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MONTE RIO RECREATION AND PARK DISTRICT

Financial Statements

For the Year Ended June 30, 2012

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INDEPENDENT AUDITOR'S REPORT


Board of Directors
Monte Rio Recreation and Park District

I have audited the accompanying financial statements of the governmental activities and major fund of the Monte Rio Recreation and Park District (District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Monte Rio Recreation and Park District as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 6 and page 21, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I 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, I did not audit the information and express no opinion on it.


Larry D. Johnson
Certified Public Accountant

December 5, 2012
Santa Rosa, CA

MONTE RIO RECREATION AND PARK DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS (Unaudited)

Our discussion and analysis of the District's financial performance provides an overview of financial activities for the year ending June 30, 2012. Please read this in conjunction with the financial statements as listed in the Table of Contents.

FINANCIAL HIGHLIGHTS

- Assets exceeded liabilities by \$1,657,058 as of June 30, 2012. Of this amount, \$1,617,053 represents the depreciated cost of Capital Assets. The remaining \$40,005 may be used to meet the District's ongoing obligations to its citizens.
- The District increased its net assets for the year by \$234,001 per its "Statement of Activities". Since the "Statement of Revenues, Expenditures and Changes in Fund Balances" uses a different accounting method, there was an increase in Fund Balances of \$79,406.
- The District purchased two capitalizable assets during the year and received a donation of one asset. The grand total of the three assets was \$209,743.
- The District has no long term financing.
- The park improvement project continues into the 12/13 year with anticipated expenditures of \$1,128,384.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 7-8) provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 9. These statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most financially significant funds. This District, however, has only one fund, it's general fund.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities:

Our analysis of the District as a whole begins on page 3. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in them. You can think of the District's net assets, the difference between assets, what the District owns, and liabilities, what the District owes, as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's jurisdiction, the availability of capital projects, and continuing local government support to assess the *overall health* of the District.

REPORTING THE DISTRICT'S ONLY MAJOR FUND (FUND FINANCIAL STATEMENTS)

Government Funds:

The District's services are reported in it's only governmental fund. This fund will focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. This fund is reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation in a separate statement.

Notes to the Financial Statements:

The notes provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements. The notes to the financial statements can be found on pages 13-20 of this report.

THE DISTRICT AS A WHOLE

SUMMARIZED STATEMENT OF NET ASSETS

	<u>6/30/12</u>		<u>6/30/11</u>	
Assets				
Cash in County Treasury	\$ 46,076	2.8%	\$ 6,253	0.4%
Cash in Banks	4,290	0.3%	114	0.0%
Accounts Receivable	3,901	0.2%	4,232	0.3%
Capital Assets (Net)	1,617,053	96.7%	1,462,458	99.3%
	<u>\$ 1,671,320</u>	<u>100.0%</u>	<u>\$ 1,473,057</u>	<u>100.0%</u>
Liabilities				
Current Liabilities	\$ 14,262	100.0%	\$ 50,000	100.0%
Long Term Liabilities	-	0.0%	-	0.0%
	<u>\$ 14,262</u>	<u>100.0%</u>	<u>\$ 50,000</u>	<u>100.0%</u>
Net Assets				
Invested in Capital Assets	\$ 1,617,053	97.6%	\$ 1,462,458	102.8%
Unrestricted	40,005	2.4%	(39,401)	-2.8%
	<u>\$ 1,657,058</u>	<u>100.0%</u>	<u>\$ 1,423,057</u>	<u>100.0%</u>

The District's largest portion of net assets is their capital assets at 96.7%. Capital assets such as land, building and equipment are used to provide community services to its citizens. These assets are not available for future spending.

The District has a minimal amount of liabilities compared to its assets. The only liabilities are normally recurring accounts payable.

The unrestricted net assets of \$40,005 is available for the District's future obligations. Last year, there was a deficit of \$(39,401).

SUMMARY STATEMENT OF ACTIVITIES

	<u>6/30/12</u>		<u>6/30/11</u>	
Program Revenues	\$ 89,220	19.80%	\$ 88,263	43.80%
General Revenues				
Property Taxes	134,288	29.70%	99,361	49.30%
Other General Revenues	1,488	0.30%	1,237	0.60%
Grants	205,780	45.60%	-	0.00%
Miscellaneous Revenue	<u>20,668</u>	<u>4.60%</u>	<u>12,568</u>	<u>6.30%</u>
Total Revenues	\$ 451,444	<u>100.00%</u>	\$ 201,429	<u>100.00%</u>
Program Expenses				
Salaries & Benefits	58,230	26.80%	63,742	23.60%
Services & Supplies	104,065	47.90%	145,247	53.80%
Depreciation	<u>55,148</u>	<u>25.30%</u>	<u>60,851</u>	<u>22.60%</u>
Total Expenses	217,443	<u>100.00%</u>	269,840	<u>100.00%</u>
Increase in Net Assets	234,001		(68,411)	
Net Assets – Beginning of Year	<u>1,423,057</u>		<u>1,491,468</u>	
Net Assets – End of Year	<u>\$ 1,657,058</u>		<u>\$ 1,423,057</u>	

The majority of the District's revenues comes from property taxes. For the year ended 6/30/12, property taxes were 29.7% of total revenue. Nonrecurring grants for the year was 45.6% of revenue.

Program expenses include depreciation in this statement which totals \$55,148 for the current year and \$60,851 for the year ended 6/30/11 (similar to a profit making entity). The remaining expenses showed a decrease over last year of \$46,694.

GOVERNMENTAL FUNDS

The District has one governmental fund; its' General Fund. The focus on governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is helpful in assessing the District's financing requirements. The unreserved fund balance may serve as a useful measure of a government's net resources available for spending in the future.

SUMMARIZED GENERAL FUND BALANCE SHEET

Assets	6/30/2012	6/30/2011	Difference
Cash in County Treasury	\$ 46,076	\$ 6,253	\$ 39,823
Cash in Banks	4,290	114	4,176
Accounts Receivable	3,901	4,232	-
Total Assets	<u>\$ 54,267</u>	<u>\$ 10,599</u>	<u>\$ 43,999</u>
Liabilities & Fund Balances			
Liabilities	\$ 14,262	\$ 50,000	\$ (35,738)
	14,262	50,000	(35,738)
Fund Balances			
Unassigned	34,978	(39,401)	74,379
Reserved Fund Balances	5,027	-	5,027
	<u>40,005</u>	<u>(39,401)</u>	<u>79,406</u>
Total Liabilities & Fund Equity	<u>\$ 54,267</u>	<u>\$ 10,599</u>	<u>\$ 43,668</u>

SUMMARIZED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GENERAL FUND

Revenues	6/30/2012	6/30/2011	Difference
Property Taxes	\$ 134,288	\$ 99,361	\$ 34,927
Grants	205,779	-	205,779
Other Revenues	111,377	100,059	11,318
	<u>\$ 451,444</u>	<u>\$ 199,420</u>	<u>\$ 252,024</u>
Expenditures			
Salaries & Benefits	58,230	63,717	(5,487)
Operating Expenses	104,065	145,247	(41,182)
Equipment Purchases	209,743	(1,984)	211,727
	<u>372,038</u>	<u>206,980</u>	<u>165,058</u>
Excess of Revenues Over Expenditures	<u>\$ 79,406</u>	<u>\$ (7,560)</u>	<u>\$ 86,966</u>

The increase in Excess of Revenues over Expenditures for 6/30/12 was positive which shows a general improvement in financial condition over the two years. Equipment purchases tend to vary from year to year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Debt Administration

The District has no debt outstanding such as bond issuance or capital leases.

Capital Assets

Capitalizable assets purchased during the year were as follows:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Park Construction-in-Progress	\$ -	\$ 205,780	\$ 205,780
4 Tandem Kayaks	2,432	-	2,432
Computer (Donated)	1,531	-	1,531
	<u>\$ 3,963</u>	<u>\$ 205,780</u>	<u>\$ 209,743</u>

GENERAL FUND BUDGETARY HIGHLIGHTS - 11/12

The District adopts a final budget in September of each year for the following fiscal year. However, it is anticipated that budget amendments will be made periodically as additional information becomes available. Generally, the original budget is amended several times a year.

There were no significant budgetary changes during the year. The original budget forecasted an Excess of Revenues over Expenditures of \$27,764 and a \$40,705 fund surplus for the final budget.

ECONOMIC FACTORS AND 12/13 BUDGET

- The District is anticipating no budgeted surplus (break even) for the 6/30/13 year (Excess of Revenues over Expenditures). Expenditures have been increased by \$65,417 over last year's accrual.

	<u>GENERAL FUND</u>		
	<u>Per 12/13 Budget</u>	<u>Per 6/30/12 Fund Basis FS</u>	<u>Increase (Decrease)</u>
Revenues			
Property Taxes	\$ 123,979	\$ 134,288	\$ (10,309)
Rental & Concession Revenue	57,000	47,603	9,397
Real Estate Rental	36,996	37,628	(632)
Rents Events	3,700	3,989	(289)
Intergovernmental Revenues	-	1,461	(1,461)
Miscellaneous Revenue	10,000	15,668	(5,668)
	<u>231,675</u>	<u>240,637</u>	<u>(8,962)</u>
Expenditures			
Salaries & Benefits	61,487	58,230	3,257
Services/Supplies	108,850	104,065	4,785
Fixed Asset Purchases	61,338	3,963	57,375
	<u>231,675</u>	<u>166,258</u>	<u>65,417</u>
Excess of Revenues over Expenditures	<u>\$ -</u>	<u>\$ 74,379</u>	<u>\$ (74,379)</u>

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens and taxpayers with a general overview of our finances and to show the accountability for the money received. If you have any questions about this report or need additional financial information, contact the District's office at (707) 865-0229.

MONTE RIO RECREATION AND PARK DISTRICT
STATEMENT OF NET ASSETS
June 30, 2012

ASSETS:	
Cash in County Treasury	\$ 46,076
Cash in Banks	4,290
Accounts Receivable	3,901
Capital Assets:	
Land (non-depreciable)	73,177
Park Construction-in-Progress (Not being Depreciated)	205,780
Buildings and Improvements	1,579,220
Other Equipment	178,351
	<u>2,036,528</u>
Less: Accumulated Depreciation	(419,475)
Total Capital Assets, net of accumulated Depreciation	<u>1,617,053</u>
Total Assets	<u><u>\$ 1,671,320</u></u>
LIABILITIES	
Accounts Payable	\$ 14,262
Total Liabilities	<u>14,262</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	1,617,053
Unrestricted	40,005
Total Net Assets	<u><u>1,657,058</u></u>

The accompanying notes are an integral part of the financial statements

MONTE RIO RECREATION AND PARK DISTRICT
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2012

Program Expenses	
Community Services	
Salaries & Benefits	\$ 58,230
Operating Expenses	104,065
Depreciation	55,148
Total Program Expenses	<u>217,443</u>
Program Revenues	
Rental & Concession Revenue	47,603
Grant	205,780
Real Estate Rental	37,628
Rents- Events	3,989
Total Program Revenues	<u>295,000</u>
Net Program expenses	77,557
General Revenues	
Property Taxes	134,288
Intergovernmental Revenues	1,461
Interest Income	27
Miscellaneous Income	20,668
Total General Revenues	<u>156,444</u>
Increase in Net Assets	234,001
Net Assets , Beginning of Year	<u>1,423,057</u>
Net Assets, End of Year	<u><u>\$ 1,657,058</u></u>

The accompanying notes are an integral part of the financial statements

**MONTE RIO RECREATION AND PARK DISTRICT
BALANCE SHEET- GOVERNMENTAL FUND TYPE
June 30, 2012**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS:			
Cash in County Treasury	\$ 30,755	\$ 15,321	\$ 46,076
Cash in Banks	4,290	-	4,290
Accounts Receivable	3,901		3,901
Total Assets	<u>\$ 38,946</u>	<u>\$ 15,321</u>	<u>\$ 54,267</u>
LIABILITIES & FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 3,968	\$ 10,294	\$ 14,262
Total Liabilities	<u>3,968</u>	<u>10,294</u>	<u>14,262</u>
Fund Balance:			
Unassigned	34,978	-	\$ 34,978
Restricted for Capital Asset Purchases	-	5,027	5,027
Total Fund Balances	<u>34,978</u>	<u>5,027</u>	<u>40,005</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 38,946</u>	<u>\$ 15,321</u>	<u>\$ 54,267</u>

The accompanying notes are an integral part of the financial statements

**MONTE RIO RECREATION AND PARK DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2012**

TOTAL FUND BALANCES- GOVERNMENTAL FUND \$ 40,005

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in the operation of governmental funds are not financial resources and, therefore, are not reported in the general fund. These assets consist of:

Capital Assets:

Land (non-depreciable)	\$ 73,177	
Park Construction-in-Progress (Not being Depreciated)	205,780	
Buildings and Improvements	1,579,220	
Other Equipment	178,351	
	<u>2,036,528</u>	
Less: Accumulated Depreciation	(419,475)	
Total Capital Assets, net of accumulated Depreciation	<u>\$ 1,617,053</u>	1,617,053

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 1,657,058

The accompanying notes are an integral part of the financial statements

**MONTE RIO RECREATION AND PARK DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES- GOVERNMENTAL FUND TYPE
For The Year Ended June 30, 2012**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Property Taxes	\$ 134,288	\$ -	\$ 134,288
Grants	-	205,779	205,779
Intergovernmental Revenues	1,461	-	1,461
Rental & Concession Revenue	47,603	-	47,603
Real Estate Rental	37,628	-	37,628
Rents- Events	3,989	-	3,989
Interest Income	-	28	28
Miscellaneous Income	15,668	5,000	20,668
Total Revenues	<u>240,637</u>	<u>210,807</u>	<u>451,444</u>
EXPENDITURES			
Salaries & Benefits	58,230	-	58,230
Operating Expenses	104,065	-	104,065
Equipment Purchases	3,963	205,780	209,743
Total Expenditures	<u>166,258</u>	<u>205,780</u>	<u>372,038</u>
Excess of Revenues Over Expenditures	74,379	5,027	79,406
Fund Balance (Deficit), Beginning of Year	<u>(39,401)</u>	<u>-</u>	<u>(39,401)</u>
Fund Balance, End of Year	<u>\$ 34,978</u>	<u>\$ 5,027</u>	<u>\$ 40,005</u>

The accompanying notes are an integral part of the financial statements

**MONTE RIO RECREATION AND PARK DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUND TYPES
TO THE STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2012**

NET CHANGE IN FUND BALANCES- GOVERNMENTAL FUND TYPE \$ 79,406

Amounts reported for governmental activities in the Statement of Activities are different because:

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

Differences are as follows:

Expenditures for capital assets	209,743
Current year depreciation expense	(55,148)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 234,001
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The accompanying notes are an integral part of the financial statements

MONTE RIO RECREATION AND PARK DISTRICT
Notes to Financial Statements
June 30, 2012

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

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, 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 manages a concession stand during the summer season, as well as an outdoor amphitheater stage for summer entertainment such as plays and concerts. The District also maintains a Community Center and public restrooms year round.

B. Significant Accounting Policies

The basic financial statements of the Monte Rio Recreation and Park District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

1. Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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 segment and 2) grants and contributions that are restricted to meeting the 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*.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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 grantor have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental

MONTE RIO RECREATION AND PARK DISTRICT
Notes to Financial Statements
June 30, 2012

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Standards Board.

Amounts reports as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, *general revenues* include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use unrestricted resources first, then restricted resources as they are needed.

2. Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for its major governmental fund. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the Government-wide financial statements. The District's General Fund is its only major governmental fund.

Governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the District, are property taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Reconciliation of the Fund Financial Statements to the Government-wide Financial Statements is provided to explain the differences created by the integrated approach.

The District reports the following major governmental funds:

General Fund – The general fund is the primary operating fund of the District. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

Capital Projects Fund – Used to account for financial resources to be used for the acquisition or construction of equipment and/or major capital facilities such as park improvements.

3. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

MONTE RIO RECREATION AND PARK DISTRICT
Notes to Financial Statements
June 30, 2012

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Net Assets

Net assets are classified into three components – invested in capital assets, restricted, and unrestricted. These classifications are defined as follows:

- Invested in capital assets net of related debt – This category groups all capital assets, including infrastructure, 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 or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net assets – This category represents net assets of the entity, not restricted for any project or other purpose.

When both restricted and unrestricted net assets are available, restricted resources are used only after the unrestricted resources are depleted.

5. Fund Balance

In the fund financial statements, governmental funds report fund balance using the classifications listed in *GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions*. Initial distinction is made in reporting fund balance information identifying amounts that are considered nonspendable, such as fund balance associated with inventories. Spendable fund balance for the governmental fund consists of the following classifications:

- a. *Restricted Fund Balance* – The portion of fund balance that can only be spent for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- b. *Committed Fund Balance* – The portion of fund balance whose use is subject to formal action of the government's highest level decision making authority. These commitments remain binding unless changed or removed by formal action of the Board as the formal authority that imposed the constraint. The underlying action that imposed, modified, or removed the limitation would need to occur no later than the close of the reporting period.
- c. *Assigned* – The portion of fund balance that is intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.
- d. *Unassigned* – The residual amount of all general fund spendable resources not contained in the other classifications.

MONTE RIO RECREATION AND PARK DISTRICT
Notes to Financial Statements
June 30, 2012

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Deposits and Investments

As authorized by Health and Safety Code Section 13854(a), the District maintains its operating cash in accounts with the Sonoma County Treasurer, who acts as a disbursing agent. Consequently, the District benefits from the Treasurer's practice of pooling cash and investments of certain funds. Interest earned on these pooled investments is allocated and apportioned quarterly to the District, based on the average daily balance for each quarter.

7. Cash and Investments

Investment in the Sonoma County Treasurer's Investment Pool

The District's cash is pooled with the Sonoma County Treasurer, who acts as a disbursing agent for The District. If material, the fair value of the District's investment in this pool is reported in the 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.

As of June 30, 2012, the District's share of the change in fair value of investments was not material.

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

MONTE RIO RECREATION AND PARK DISTRICT
Notes to Financial Statements
June 30, 2012

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

or coming close to maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations.

As of June 30, 2012, approximately 19.4 percent of the securities in the Treasury Pool had maturities of one year or less. Of the remainder, only 3.3 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.

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 general 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 Treasurer' Pool).

Concentration of Credit Risk

The investment policy of the Count 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 6/30/10 Sonoma County CAFR (the most recently available).

MONTE RIO RECREATION AND PARK DISTRICT
Notes to Financial Statements

June 30, 2012

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Cash on Hand and In Banks

Cash and Investments not included in pooled cash is as follows:

Checking Account – West America	\$ 864
Checking Account – West America	932
Checking Account – Bank of America	<u>2,494</u>
	<u>\$ 4,290</u>

These accounts are subject to FDIC insurance for amounts up to \$250,000.

9. 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 government as assets with an initial, individual cost of more than \$1,000, and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated 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 primary government, is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	30
Equipment	10

10. 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.

NOTE 2—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,

MONTE RIO RECREATION AND PARK DISTRICT
Notes to Financial Statements

June 30, 2012

NOTE 2—RISK MANAGEMENT (Continued)

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.

NOTE 3—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 on 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 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 29, 1993, the Board of Supervisors adopted the "Teeter" Alternate 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.

NOTE 4—CAPITAL ASSET ACTIVITY

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Balance</u> <u>7/1/2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/2012</u>
Capital Assets, Not Being Depreciated				
Land	\$ 73,177	\$ -	\$ -	\$ 73,177
Park Construction-in-Progress	-	<u>205,780</u>	-	<u>205,780</u>
Total Capital Assets, Not Being Depreciated	73,177	205,780	-	278,957
Capital Assets, Being Depreciated				
Building & Improvements	1,579,220	-	-	1,579,220
Equipment	<u>174,388</u>	<u>3,963</u>	-	<u>178,351</u>
Total Capital Assets, Being Depreciated	1,753,608	3,963	-	1,757,571
Less: Accumulated Depreciation				
Building & Improvements	(258,970)	(45,198)	-	(304,168)
Equipment	<u>(105,357)</u>	<u>(9,950)</u>	-	<u>(115,307)</u>
Total Accumulated Depreciation	(364,327)	(55,148)	-	(419,475)
Total Capital Assets, Being Depreciated, Net	<u>1,389,281</u>	<u>(51,185)</u>	-	<u>1,338,096</u>
Governmental Activities, Capital Assets, Net	<u>\$ 1,462,458</u>	<u>\$ 154,595</u>	<u>\$ -</u>	<u>\$ 1,617,053</u>

MONTE RIO RECREATION AND PARK DISTRICT
Notes to Financial Statements
June 30, 2012

NOTE 4—CAPITAL ASSET ACTIVITY (Continued)

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

Governmental Activities:

Community Services	\$ 55,148
Total Depreciation Expense – Governmental Activities	<u>\$ 55,148</u>

NOTE 5—RELATED PARTIES

The District conducts business with a company (The Buzz) which is owned by an individual who has a personal relationship with a board member. During the fiscal year ending 6/30/12 the District paid invoices totaling \$14,623 to The Buzz.

**MONTE RIO RECREATION AND PARK DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
Budget and Actual - General Fund
For The Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 89,750	\$ 90,550	\$ 134,288	\$ 43,738
Intergovernmental Revenues	800	1,500	1,461	(39)
Rental & Concession Revenue	35,000	50,000	47,603	(2,397)
Real Estate Rental	35,000	45,000	37,628	(7,372)
Rents- Events	4,500	4,500	3,989	(511)
Interest Earned	(300)	(300)	-	300
Miscellaneous Income	10,000	15,000	15,668	668
Total Revenues	<u>174,750</u>	<u>206,250</u>	<u>240,637</u>	<u>34,387</u>
EXPENDITURES				
Salaries & Benefits	47,250	51,595	58,230	(6,635)
Operating Expenses	99,736	113,950	104,065	9,885
Fixed Asset Purchases	-	-	3,963	(3,963)
Total Expenditures	<u>146,986</u>	<u>165,545</u>	<u>166,258</u>	<u>(713)</u>
Excess of Revenues Over Expenditures	<u>\$ 27,764</u>	<u>\$ 40,705</u>	74,379	<u>\$ 33,674</u>
Fund Balance, Beginning of Year			<u>(39,401)</u>	
Fund Balance, End of Year			<u>\$ 34,978</u>	

The accompanying notes are an integral part of the financial statements