

**ARCADE CREEK RECREATION
AND PARK DISTRICT**

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2021

ARCADE CREEK RECREATION AND PARK DISTRICT

Table of Contents

Independent Auditor’s Report 1

Basic Financial Statements:

 Government-Wide Financial Statements:

 Statement of Net Position 3

 Statement of Activities 4

 Fund Financial Statements

 Governmental Funds:

 Balance Sheet 5

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

 Statement of Revenues, Expenditures and Changes in Fund Balances 7

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

Notes to the Financial Statements 9

Required Supplementary Information

 Budgetary Comparison Schedule-General Fund 22

 Schedule of the District’s Proportionate Share of the Net Pension Liability 23

 Schedule of the District Pension Contributions 24

Note to the Required Supplementary Information 25

LARRY BAIN, CPA

An Accounting Corporation

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Arcade Creek Recreation and Park District
Sacramento, California

We have audited the accompanying financial statements of the governmental activities and fund information of Arcade Creek Recreation and Park District as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively make up the basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our Responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and fund information of the Arcade Creek Recreation and Park District as of June 30, 2021, and the changes in financial position, of those activities and funds for the fiscal year then ended in conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

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

The required supplementary information other than Management Discussion and Analysis, described as the budgetary comparison for the General fund on page 22 the Arcade Creek Recreation and Park District Employees' Retirement System Schedule of the District's Proportionate Share of the Net Pension Liability and the Retirement System Schedule of the District's Contributions on pages 23 and 24,; be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Larry Bain, CPA
An Accounting Corporation

October 18, 2021

ARCADE CREEK RECREATION AND PARK DISTRICT

**STATEMENT OF NET POSITION
JUNE 30, 2021**

	<u>Governmental Activities</u>
Assets	
Cash and investments	\$ 435,521
Interest receivable	2,334
Restricted cash and investments	<u>508,461</u>
Total Current Assets	<u>946,316</u>
Noncurrent assets	
Capital assets:	
Land	264,541
Buildings and improvements	7,732,637
Equipment	171,047
Less: accumulated depreciation	<u>(4,107,353)</u>
Total noncurrent assets	<u>4,060,872</u>
Total assets	<u>5,007,188</u>
Deferred Outflows of Resources	
Deferred outflows pensions	<u>396,748</u>
Liabilities	
Current liabilities:	
Claims payable	20,368
Accrued payroll	6,286
Deposits from others	294
Line of credit	<u>3,500</u>
Total Current Liabilities	<u>30,448</u>
Noncurrent liabilities:	
Due within one year	35,590
Due in more than one year	<u>509,184</u>
Total noncurrent liabilities	<u>544,774</u>
Total liabilities	<u>575,222</u>
Deferred Inflows of Resources	
Deferred inflows-pension	<u>110,162</u>
Net Position	
Net investment in capital assets	4,060,872
Restricted for other	509,820
Unrestricted net position	<u>147,860</u>
Total net position	<u>\$ 4,718,552</u>

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

ARCADE CREEK RECREATION AND PARK DISTRICT

**STATEMENT OF ACTIVITIES
JUNE 30, 2021**

	Program Revenues				
Expenses	Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Total	
Governmental Activities:					
Recreation services	\$ 807,430	\$ 59,870	\$ 100,794	\$ 8,131	\$ (638,635)
Interest on long-term debt	9,688				(9,688)
Total governmental activities	\$ 817,118	\$ 59,870	\$ 100,794	\$ 8,131	(648,323)

General Revenues:

Property tax, levied for general purposes	691,898
Investment income	6,051
Other	14,173
Total general revenues	712,122
Change in net position	63,799
Net position - beginning	4,654,753
Net position - ending	\$ 4,718,552

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

ARCADE CREEK RECREATION AND PARK DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2021**

	General Fund	Major Capital Project Funds Developer Deposits	District Projects	Non-Major Special Revenue Fund ADA Fund	Total Governmental Funds
Assets					
Cash and investments	\$ 385,163	\$ -	\$ 50,358	\$ -	\$ 435,521
Interest receivable	857	1,355	118	4	2,334
Restricted cash and investments		507,095		1,366	508,461
Total assets	\$ 386,020	\$ 508,450	\$ 50,476	\$ 1,370	\$ 946,316
Liabilities and Fund Balances					
Liabilities					
Claims payable	\$ 9,352	\$ -	\$ 11,016	\$ -	\$ 20,368
Accrued payroll	6,286				6,286
Deposits from others			294		294
Line of credit	3,500		-		3,500
Total liabilities	19,138		11,310		30,448
Fund Balances					
Restricted		508,450		1,370	509,820
Assigned	20,779		39,166		59,945
Unassigned	346,103				346,103
Total fund balances	366,882	508,450	39,166	1,370	915,868
Total Liabilities and Fund Balances	\$ 386,020	\$ 508,450	\$ 50,476	\$ 1,370	\$ 946,316

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

ARCADE CREEK RECREATION AND PARK DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

Fund balances of governmental funds	\$ 915,868
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation, are not current financial resources and are not included in the governmental funds.	4,060,872
Some liabilities, including long-term debt and compensated absences are not due and payable in the current period and therefore are not reported in the funds.	<u>(258,188)</u>
Net position of governmental activities	<u><u>\$ 4,718,552</u></u>

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

ARCADE CREEK RECREATION AND PARK DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
JUNE 30, 2021**

	General Fund	Major Capital Project Funds		Non-Major Special Revenue Fund	Total Governmental Funds
		Developer Deposits	District Projects	Non-major ADA Fund	
Revenues					
Property taxes	\$ 686,350	\$ -	\$ -	\$ -	\$ 686,350
Intergovernmental revenues	13,679				13,679
Use of money and property	62,335	3,334	253	9	65,931
Other revenues	14,164	100,794			114,958
Total revenues	776,528	104,128	253	9	880,918
Expenditures					
Current:					
Recreation and park services	502,106	2,812	11,932		516,850
Debt service					
Principal	27,900				27,900
Interest	9,688				9,688
Capital outlay	-				-
Total expenditures	539,694	2,812	11,932		554,438
Excess (deficit) of revenues over (under) expenditures before other financing sources (uses)	236,834	101,316	(11,679)	9	326,480
Other Financing Sources (Uses)					
Transfers in	-		48,500		48,500
Transfers (out)	(3,500)	(45,000)			(48,500)
Total other financing sources (uses)	(3,500)	(45,000)	48,500		-
Net change in fund balances before significant item	233,334	56,316	36,821	9	326,480
Significant item-UAL lump sum payment	(273,118)				(273,118)
Net change in fund balances	(39,784)	56,316	36,821	9	53,362
Fund balances, beginning of fiscal year	406,666	452,134	2,345	1,361	862,506
Fund balances, end of fiscal year	\$ 366,882	\$ 508,450	\$ 39,166	\$ 1,370	\$ 915,868

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

ARCADE CREEK RECREATION AND PARK DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN NET POSITION
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2021**

Net change in fund balances - total governmental funds	\$ 53,362
Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities. The costs of those assets is allocated over their estimated useful lives as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:	
Cost of assets capitalized	
Depreciation expense	(266,364)
Changes in proportions from the pension do not effect expenditures in the governmental funds, but the change is adjusted through expense in the government-wide statement.	243,818
Payments of long-term debt are recognized as expense in the funds and as a reduction to debt in the statement of net postion	27,900
Compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in governmental funds.	<u>5,083</u>
Change in net position of governmental activities	<u>\$ 63,799</u>

ARCADE CREEK RECREATION AND PARK DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

Note 1: Summary of Significant Accounting Policies

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

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

A. Reporting Entity

The District has defined its reporting entity in accordance with accounting principles generally accepted in the United States of America, which provides guidance for determining which governmental activities, organizations and functions should be included in the reporting entity. In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The primary criterion for including a potential component unit within the reporting entity is the governing body's financial accountability. A primary governmental entity is financially accountable if it appoints a voting majority of a component unit's governing body and it is able to impose its will on the component unit, or if there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable if a component unit is fiscally dependent on the primary governmental entity regardless of whether the component unit has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board. Based on the aforementioned oversight criteria, there are no component units in accordance with Governmental Accounting Standards Board Statement No. 61.

B. Basis of Accounting

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned or, for property tax revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Resources not available to finance expenditures and commitments of the current period are recognized as deferred revenue or as a reservation of fund balance. The District considers property taxes available if they are collected within sixty-days after year-end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt, as well as compensated absences and claims and judgments are recorded only when payment is due. General capital acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financial sources.

ARCADE CREEK RECREATION AND PARK DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

C. Non-Current Governmental Assets/Liabilities

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

D. Basis of Presentation

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

Governmental Fund Types

Governmental funds are used to account for the District's expendable financial resources and related liabilities (except those accounted for in proprietary and similar trust funds). The measurement focus is based upon determination of changes in financial position. The following are the District's governmental funds:

General Fund - This fund accounts for all the financial resources not required to be accounted for in another fund. This fund consists primarily of general government type activities.

Special Revenue Funds - This fund accounts for the activity impact fees and other resources that are legally restricted to expenditures for specific purposes.

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

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

F. Restricted Assets

Restricted assets are financial resources generated for a specific purpose such as construction of improvements from developer in lieu deposits. These amounts are restricted, as their use is limited by external requirements.

ARCADE CREEK RECREATION AND PARK DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 1: Summary of Significant Accounting Policies (Continued)

G. Compensated Absences

Compensated absences represent the vested portion of accumulated vacation and sick leave. In accordance with GASB 16, the liability for accumulated leave includes all salary - related payments that are directly and incrementally connected with leave payments to employees, such as Medicare taxes. A current liability is recorded in the governmental fund type to account for these vested leave accruals, which are expected to be used within the next fiscal year. The non-current (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide financial statement presentation.

H. Capital Assets

Capital assets, recorded at historical cost or estimated historical cost if actual historical cost is not available, are reported in governmental activities column of the government-wide financial statements. Contributed fixed assets are valued at their estimated fair market value. Capital assets include land, buildings and building improvements and equipment. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Depreciation is recorded in the government-wide financial statements on the straight-line bases over the useful life of the assets as follows:

<u>Assets</u>	<u>Useful Life</u>
Buildings	50 years
Building improvements	20 years
Improvements other than buildings	35 years
Equipment and machinery	5 to 20 years

I. Property Tax

The District receives property taxes from the County of Sacramento, which has been assigned the responsibility for assessment, collections, and apportionment of property taxes for all taxing jurisdictions within the County. Secured property taxes are levied on January 1 for the following fiscal year and on which date it becomes a lien on real property. Secured property taxes are due in two installments on November 1 and February 1 and are delinquent after December 10 and April 10, respectively, for the secured roll. Based on a policy by the County called the Teeter Plan, 100% of the allocated taxes are transmitted by the County to the District, eliminating the need for an allowance for uncollectible. The County, in return, receives all penalties and interest on delinquent taxes. Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent if unpaid by August 31. Property tax revenues are recognized in the fiscal year they are received.

ARCADE CREEK RECREATION AND PARK DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 1: Summary of Significant Accounting Policies (Continued)

J. Interfund Transactions

Operating transfers are transactions to allocate resources from one fund to another fund not contingent on the incurrance of specific expenditures in the receiving fund. Interfund transfers are generally recorded as operating transfers in and operating transfers out in the same accounting period. Transfers between governmental funds are netted as part of the reconciliation to the government-wide presentation.

K. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District’s California Public Employees’ Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans’ fiduciary net position should be determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) should be recognized when due and payable in accordance with the benefit terms. Investments should reported at fair value.

Note 2: Cash and Investments

Cash and investments at June 30, 2021, consisted of the following:

Checking account	\$	2,092
Imprest cash		1,000
Cash and investment in the County Treasurer		940,890
Total cash and investments	\$	943,982

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

The table below identifies the **investment types** that are authorized for Arcade Creek Recreation and Park District by the California Government Code (or the District’s investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District’s investment policy, where more restrictive) that address **interest rate risk, credit risk and concentration of credit risk**. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District investment policy.

Authorized Investment Type	Maximum Maturity	Percentage of Portfolio	Investment in One Issuer
Investment pools authorized under CA			
Statutes governed by Government Code	N/A	None	\$40 million
U.S. Treasury Obligations	5 years	None	None
Bank Savings Accounts	N/A	25%	None
Federal Agencies	5 years	75%	None
Commercial Paper	180 days	20%	None
Negotiable Certificates of Deposit	180 days	20%	None
Re-Purchase Agreements	180 days	20%	None
Corporate Debt	5 years	25%	None

ARCADE CREEK RECREATION AND PARK DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 2: Cash and Investments (Continued)

B. Disclosures Relating to Interest Rate Risk

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

Investment Type	Totals	Remaining Maturity (in Months)	
		12 Months or Less	13-48 Months
Sacramento County*	\$ 940,890	\$ 940,890	\$ -
Totals	\$ 940,890	\$ 940,890	\$ -

*Not subject to categorization

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

C. Concentrations of Credit Risk

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

D. Custodial Credit Risk

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

At June 30, 2021, the District's deposits balance was \$3,079 and the carrying amount was \$3,092. The difference between the bank balance and the carrying amount, if any, was due to normal outstanding checks and deposits in transit. Of the bank balance, all was covered by the Federal Depository Insurance and none was covered by collateral held in the pledging bank's trust department in the District's name.

ARCADE CREEK RECREATION AND PARK DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 2: Cash and Investments (Continued)

E. Investment in Government Pool

The District maintains certain cash and investments with the Sacramento County Treasurer in an investment pool. The District's funds are managed in accordance with the investment policy of the County Treasury. On a quarterly basis the Treasurer allocates interest to participants based upon their average daily balances. Required disclosure information regarding the categorization of investments and investment risk can be found in the County's financial statements. The Sacramento County's financial statements may be obtained online at the following link: finance.saccounty.net/AuditorController/Pages/.

Required disclosures for the District's investment in the Sacramento County Investment Pool at June 30, 2021 are as follows:

Credit risk	Not rated
Custodial risk	Not applicable
Concentration of credit risk	Not applicable
Interest rate risk	Not available

Note 3: Property Plant and Equipment

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

	Balance July 1, 2020	Additions	Retirement/ Adjustments	Balance June 30, 2021
Capital assets, not being depreciated:				
Land	\$ 264,541	\$ -	\$ -	\$ 264,541
Capital assets, being depreciated:				
Structures and improvements	7,732,637			7,732,637
Equipment	171,047			171,047
Total capital assets, being depreciated	7,903,684	-		7,903,684
Less accumulated depreciation	(3,840,989)	(266,364)		(4,107,353)
Total capital assets, being depreciated, net	4,062,695	(266,364)		3,796,331
Governmental activities, capital assets, net	\$ 4,327,236	\$ (266,364)	\$ -	\$ 4,060,872

Note 4: Long-Term Liabilities

The following is a summary of changes in the Districts long-term debt for the fiscal year ended June 30, 2021:

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021	Due within One Year
Compensated absences	\$ 26,622	\$ 10,297	\$ (15,380)	\$ 21,539	\$ 7,690
Pension side fund loan	238,500		(27,900)	210,600	27,900
Net pension liability (Note 5)	263,394	49,241		312,635	
Totals	\$ 528,516	\$ 59,538	\$ (43,280)	\$ 544,774	\$ 35,590

ARCADE CREEK RECREATION AND PARK DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 4: Long-Term Liabilities (Continued)

Long-term liability obligations consist of the following:

A. Compensated Absences

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

B. Pension Side Fund Loan

On November 1, 2017 the District took out a \$305,400 loan from UMPQUA Bank. \$247,784 of the loan proceeds were used to pay off the CalPERS Side Fund liability and the cost of issuance was \$57,616. The 10 year term of the loan is from November 1, 2017 to November 1, 2027. Payments ranging from \$3,085 to \$3,178 are due monthly and the interest rate is 4.29%. The District collateralized two HSP buildings as security for the loan. There was an economic loss to the District associated with refinancing the side fund liability whereas the payments of the new loan exceeded the estimated side fund payments by \$9,233. The new debt will be amortized over the remaining years as follows:

Fiscal Year End June 30,	Principal	Interest	Total
2022	\$ 29,200	\$ 8,466	\$ 37,666
2023	30,400	7,191	37,591
2024	31,800	5,859	37,659
2025	33,100	4,469	37,569
2026	34,500	3,069	37,569
2027-2028	51,600	1,676	53,276
Totals	<u>\$ 210,600</u>	<u>\$ 30,730</u>	<u>\$ 241,330</u>

Note 5: Defined Benefit Pension Cost-Sharing Employer Plan

A. *General Information about the Pension Plan*

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the District’s Miscellaneous Employee Pension Plan, cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plan is established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension Plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to Plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan is applied as specified by the Public Employees’ Retirement Law.

ARCADE CREEK RECREATION AND PARK DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 5: Defined Benefit Pension Cost-Sharing Employer Plan (Continued)

The Plan provisions and benefits in effect at June 30, 2021, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.00% @ 55	2.00% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52 - 67
Monthly benefits , % of eligible compensation	2.20% to 2.70%	1.00% to 2.00%
Required employee contribution rates	7%	6.75%
Required employer contribution rates	10.48%	6.99%

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2021, the contributions recognized as part of pension expense for the miscellaneous Plan was as follows:

Contributions-employer	\$	64,875
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***B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources
Related to Pensions***

As of June 30, 2021, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate share of Net pension liability
Miscellaneous Plan	\$ 312,635

The District’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2020, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension Plan relative to the projected contributions of all participating employers, actuarially determined.

ARCADE CREEK RECREATION AND PARK DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 5: Defined Benefit Pension Cost-Sharing Employer Plan (Continued)

The District's proportionate share of the net pension liability as of reporting dates June 30, 2020 and 2021 were as follows:

Proportion - June 30, 2020	0.00658%
Proportion - June 30, 2021	0.00741%
Change - Increase (Decrease)	0.00083%

For the year ended June 30, 2021, the District recognized pension expense of \$64,875. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 16,111	\$ -
Changes of assumptions		(2,230)
Net difference between projected and actual earnings on pension plan investments	9,287	
Changes in proportion		(107,933)
Difference in contributions and the proportionate share of contributions	62,656	
District contributions subsequent to the measurement date	308,694	
Total	<u>\$ 396,748</u>	<u>\$ (110,163)</u>

\$308,694 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

**Measurement Period
Ended June 30:**

2022	\$ 6,133
2023	36,861
2024	(16,432)
2025	(4,453)

Actuarial Assumptions – The total pension liabilities in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increase	Varies by Entry Age and
Investment Rate of Return	7.15%

ARCADE CREEK RECREATION AND PARK DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 5: Defined Benefit Pension Cost-Sharing Employer Plan (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

CalPERS reviews all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations. CalPERS will continue to check the materiality of the difference in calculation until such time as they change the methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds’ asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10 (1)</u>	<u>Real Return Years 11+ (2)</u>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Estate	13%	3.75%	4.93%
Liquidity	1%	0.00%	-0.92%

(1) An expected inflation of 2.00% used for this period

(2) An expected inflation of 2.92% used for this period

ARCADE CREEK RECREATION AND PARK DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 5: Defined Benefit Pension Cost-Sharing Employer Plan (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District’s proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Misc Tier I	\$ 499,253	\$ 312,635	\$ 158,439

Note 6: Developer Impact Fees

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

Note 7: Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District together with other districts in the State carry California Association For Park And Recreation Insurance (CAPRI), a public entity risk pool currently operating as a common risk management and insurance program for member districts. The District pays an annual premium to CAPRI for its general insurance coverage. Furthermore the District carries workers compensation coverage with other districts in the State through the CAPRI. Membership in the California Association of Recreation and Park Districts is required when applying for CAPRI.

The Agreement for Formation provides that CAPRI will be self-sustaining through member premiums. CAPRI reinsures through commercial companies for general and automobile liability and all risk property insurance, including boiler and machinery coverage, is subject to a \$2,000 deductible per occurrence payable by the District. Financial statements for CAPRI are available at the District’s office for fiscal year ending June 30, 2021.

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

Note 8: Net Position/Fund Balances

The government-wide activities fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

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

ARCADE CREEK RECREATION AND PARK DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 8: Net Position/Fund Balances (Continued)

Fund Balances – Governmental Funds

The District adopted a policy for GASB Statement No. 54, Fund Balance Reporting, in the current fiscal year. GASB 54 establishes fund balance classifications that comprise a hierarchy based on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. While the classifications of fund balance in the District’s various governmental funds were revised, the implementation of this standard had no effect on total fund balance. Detailed information on governmental fund-type, fund balances are as follows:

	General Fund	Developer Fees	ADA Fees	Capital Projects
Restricted for Developer Deposits	\$ -	\$ 508,450	\$ 1,370	\$ -
Assigned for next years budget	20,779			49,986
Assigned for capital projects				490
Unassigned	325,324			
Total fund balance	<u>\$ 346,103</u>	<u>\$ 508,450</u>	<u>\$ 1,370</u>	<u>\$ 50,476</u>

Note 9: Site Lease Agreements

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

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

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

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

Note 10: Significant Item

On February 18, 2021 the Board of Directors approved paying down \$274,000 of the unfunded actuarial liability for the CalPERS defined benefit pension plan.

ARCADE CREEK RECREATION AND PARK DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 11: Revenue Limitations Imposed by California Proposition 218

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

Note 12: Gann Limit

Total tax and interest revenue 2020-21	\$ 806,631
Amount of limit for 2020-21	<u>1,546,684</u>
Amount (under)/over limit	<u>\$ (740,053)</u>

Note 13: Commitments and Contingencies

Grants

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

COVID 19

In December 2019, a novel strain of coronavirus has spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of Arcade Creek Recreation and Park District could potentially be adversely affected by this global pandemic. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. The District has not included any contingencies in the financial statements specific to this issue.

Line of Credit

At June 30, 2021 the District had \$346,500 available on its \$350,000 line of credit with UMPQUA Bank.

Note 13: Subsequent Events

In July 2021 the District paid off the \$3,500 outstanding line of credit balance and did not renew the \$350,000 line of credit.

**ARCADE CREEK RECREATION AND PARK DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
JUNE 30, 2021**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues				
Property taxes	\$ 655,600	\$ 655,600	\$ 686,350	\$ 30,750
Intergovernmental revenues	10,000	10,000	13,679	3,679
Use of money and property	62,000	62,000	62,335	335
Other revenues	25,000	25,000	14,164	(10,836)
Total Revenues	<u>752,600</u>	<u>752,600</u>	<u>776,528</u>	<u>23,928</u>
Expenditures				
Salaries and benefits	305,919	305,919	271,490	34,429
Services and supplies	271,787	263,787	230,616	33,171
Debt service				
Principal expense	27,900	27,900	27,900	-
Interest expense	9,688	9,688	9,688	-
Capital outlay	-		-	-
Contingency	31,033	31,033		31,033
Total Expenditures	<u>646,327</u>	<u>638,327</u>	<u>539,694</u>	<u>98,633</u>
Excess (deficit) of revenues over (under) expenditures before other financing sources (uses)	<u>106,273</u>	<u>114,273</u>	<u>236,834</u>	<u>122,561</u>
Other Financing Sources (Uses)				
Operating transfers out			(3,500)	(3,500)
Operating transfers in			-	-
Total other financing sources (uses)			<u>(3,500)</u>	<u>(3,500)</u>
Net change in fund balances before significant item	<u>106,273</u>	<u>114,273</u>	<u>233,334</u>	<u>453,880</u>
Significant item-UAL lump sum payment	<u>(266,273)</u>	<u>(274,273)</u>	<u>(273,118)</u>	<u>(813,664)</u>
Net change in fund balances	<u>\$ (160,000)</u>	<u>\$ (160,000)</u>	<u>\$ (39,784)</u>	<u>\$ (359,784)</u>
Fund balance, beginning of fiscal year			<u>406,666</u>	
Fund balance, end of fiscal year			<u>\$ 366,882</u>	

**ARCADE CREEK RECREATION AND PARK DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 JUNE 30, 2021**

<u>Reporting date</u>	<u>District's proportionate share of the net pension liability (asset)</u>	<u>District's proportionate share of the net pension liability (asset)</u>	<u>District's covered-employee payroll</u>	<u>District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
6/30/2016	0.01978%	\$542,794	\$250,242	216.91%	56.49%
6/30/2017	0.01623%	\$563,916	\$244,577	230.57%	59.43%
6/30/2018	0.01523%	\$600,257	\$213,023	281.78%	58.40%
6/30/2019	0.01458%	\$549,407	\$224,687	244.52%	80.01%
6/30/2020	0.00658%	\$263,394	\$213,295	123.49%	80.78%
6/30/2021	0.00741%	\$312,635	\$225,017	138.94%	79.58%

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available is presented.

**ARCADE CREEK RECREATION AND PARK DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
JUNE 30, 2021**

<u>Reporting date</u>	<u>Contractually required contribution</u>	<u>Contributions in relation to the contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered employees payroll</u>	<u>Contribution as a percentage of covered-employee payroll</u>
6/30/2016	\$78,383	(\$78,383)	\$0	\$240,210	32.63%
6/30/2017	\$81,976	(\$81,976)	\$0	\$250,080	32.78%
6/30/2018	\$83,284	(\$83,284)	\$0	\$213,023	39.10%
6/30/2019	\$31,744	(\$31,744)	\$0	\$224,687	14.13%
6/30/2020	\$36,036	(\$64,036)	\$ (28,000)	\$213,295	30.02%
6/30/2021	\$35,350	(\$35,350)	\$0	\$225,017	15.71%

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available is presented.

ARCADE CREEK RECREATION AND PARK DISTRICT

**NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021**

Note 1: Budgets and Budgetary Accounting

As required by State law the District prepares and legally adopts a final operating budget. Public hearings were conducted on the proposed and final budget to review all appropriations and the source of financing.

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

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

The budgetary data presented in the final budgeted amount in the accompanying financial statements includes all revisions approved by the Board of Director.