

Russian River Recreation and Park District Annual Report

For the Fiscal Year Ended
June 30, 2020

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Annual Report
For the Fiscal Year Ended June 30, 2020

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

Auditor-Controller's Report

Report on the Financial Statements

We were engaged to audit the accompanying government wide financial statements, fund financial statements and the related notes to the financial statements of the Russian River Recreation and Park District (District), as of and for the year ended June 30, 2020, which collectively comprise 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 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the independence impairments, both of which are described in the Basis for Disclaimer of Opinion paragraph, auditing standards require us to disclaim an opinion on the financial statements.

Basis for Disclaimer of Opinion

As required by various statutes within the California Government Code, County Auditor-Controllers are mandated to perform certain accounting, auditing and financial reporting functions. In Sonoma County the Auditor-Controller and Treasurer-Tax Collector (ACTTC) positions are combined. The District's cash is pooled with the Sonoma County Treasurer (a division of the ACTTC), who acts as a disbursing agent for the District. The General Accounting

Division within the ACTTC maintains internal controls over the financial accounting management information system, and processes transactions that have been approved by the District. The General Accounting Division processes County checks for expenditures approved by the District, these checks are signed by the Auditor-Controller-Treasurer-Tax Collector. These non-audit activities create management participation threats to auditor independence, as discussed in Interpretation 101-3 of the American Institute of Certified Public Accountants Code of Professional Conduct, which cannot be mitigated. Internal Audit, a Division of the ACTTC Office, which has no other responsibility for the accounts and records being audited, performed this audit. The amount that this departure affects the assets, liabilities, net position, deferred outflows of resources, deferred inflows of resources, revenues and expenses of the District has not been determined.

Disclaimer of Opinion

Because of the independence impairments described in the Basis for Disclaimer of Opinion paragraph, auditing standards require us to disclaim an opinion on the financial statements. Accordingly, we do not express an opinion on these financial statements.

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), beginning on page 1 of this report, 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, 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 MD&A 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 MD&A because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Sonoma County Auditor-Controller

December 3, 2020

Management's Discussion and Analysis

As management of the District we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with the District's financial statements and the accompanying notes to the financial statements.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the current fiscal year by \$1,276,787 (net position). Of this amount, \$604,987 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The District's total net position increased by \$103,723.
- As of the close of the current fiscal year, the District's governmental fund reported an ending fund balance of \$609,722, an increase of \$89,460 in comparison with the prior year. The entire fund balance is available for spending at the government's discretion (unassigned fund balance).
- At the end of the year, unassigned fund balance for the general fund was \$609,722, or 137.1% of total general fund expenditures of \$444,727.

Overview of the Financial Statements

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

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

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

The statement of activities presents information showing how the government's net position changed during the current fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The

District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District's funds are governmental funds.

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$1,276,787 at the close of the current fiscal year.

A large portion of the District's net position (52.6%) reflects its net investment in capital assets (e.g., land, buildings and improvements and equipment). The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Net Position
June 30, 2020

	2020	2019
Current and other assets	\$ 617,947	\$ 838,114
Capital assets, net of accumulated depreciation	671,800	657,537
Total assets	1,289,747	1,495,651
Long-term liabilities outstanding	4,735	4,735
Other liabilities	8,225	317,852
Total liabilities	12,960	322,587
Net position:		
Net investment in capital assets	671,800	657,537
Unrestricted	604,987	515,527
Total net position	\$ 1,276,787	\$ 1,173,064

The balance of unrestricted net position \$604,987 may be used to meet the District's ongoing obligations to citizens and vendors.

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

Governmental activities. Governmental activities increased the District's net position by \$103,723. This increase is a result of revenues exceeding expenses in the governmental activities.

**Changes in Net Position
For the Fiscal Year Ended June 30, 2020**

	2020	2019
Revenues:		
Program Revenues:		
Intergovernmental revenue	\$ 2,772	\$ 10,421
Charges for services	1,718	2,373
Insurance reimbursements	79,939	286,567
Capital grants and contributions	-	49,584
General Revenues:		
Property taxes	440,656	419,176
Investment income	8,549	19,242
Miscellaneous	553	742
Total revenues	534,187	788,105
Expenses:		
Program Expenses:		
Public recreation	368,322	359,260
Flood cleanup cost	62,142	290,224
Total expenses	430,464	649,484
Increase (decrease) in net position	103,723	138,621
Net position - beginning of the year	1,173,064	1,034,443
Net position - end of the year	\$ 1,276,787	\$ 1,173,064

Financial Analysis of the Government's Funds

The District uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

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

As of the end of the current fiscal year, the District's governmental fund reported ending fund balance of \$609,722, an increase of \$89,460 in comparison with the prior year. This entire amount constitutes unassigned fund balance, which is available for spending at the government's discretion.

As a measure of the District's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. As of the end of the current fiscal year, unassigned fund balance represents 137.1% of total fund expenditures.

General Fund Budgetary Highlights

Major changes in the budget during the current fiscal year included the following:

- The capital outlay – The original budget includes buildings and improvements of \$169,531 to cover planned Americans with Disabilities Act and flood improvements, and land for \$40,000. The Board approved an increase to the original budget for Americans with Disabilities Act and flood improvements for \$46,018 and an increase to equipment for \$5,000. The final budget included the purchase of land for \$40,000 and equipment for \$5,000, which were not spent in fiscal 2020. The final budget also included Americans with Disabilities Act and flood improvements for \$215,549, out of which the District spent \$61,247 in fiscal 2020.

Capital Asset and Debt Administration

Capital assets: The District's investment in capital assets, as of June 30, 2020, amounts to \$671,800 (net of accumulated depreciation). This investment in capital assets includes land, land pre-acquisition costs, buildings and improvements, and machinery and equipment. The net increase in the District's investment in capital assets for the current fiscal year was \$14,263.

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

- Capital Improvements at Pacheco Park \$52,725.
- Rio Nido Playground replacement \$4,513.
- Capital improvements at JK Wright Park \$4,009.
- Depreciation of the capital assets \$46,984.

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

Debt administration: At the end of the fiscal year the District had total long-term obligations of \$4,735. This amount represents compensated absences.

Economic Factors and Next Year's Budget

The District expects property tax revenues to show modest growth in the coming year. The District will continue to extend financial support to local non-profit organizations which offer recreation programs to the community. These factors were considered in preparing the District's budget for the fiscal year ending June 30, 2020.

The District experienced the funding challenges as a result of the February 2019 flood and it will require the District to control costs as it strives to continue financial support to local non-profit organizations. Costs are projected to increase due to damaged infrastructure in fiscal 2019 and 2020. Expenses related to clean up after the flood were incurred in fiscal 2019 and 2020. These additional expenses, to an extent, were mitigated by recoveries through insurance.

Request for Information

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

Russian River Recreation and Park District
Statement of Net Position
June 30, 2020

Assets	
Cash and investments	\$ 617,947
Capital assets, net of accumulated depreciation	
Land	76,248
Land - pre-acquisition costs	8,298
Building and improvements	557,616
Equipment	<u>29,638</u>
Total assets	<u>1,289,747</u>
 Liabilities	
Accounts payable	8,225
Non-current liabilities:	
Compensated absences	<u>4,735</u>
Total liabilities	<u>12,960</u>
 Net Position	
Net investment in capital assets	671,800
Unrestricted	<u>604,987</u>
Total net position	<u>\$ 1,276,787</u>

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

Russian River Recreation and Park District
Statement of Activities
For the Fiscal Year Ended June 30, 2020

Program Expenses

Public recreation:	
Salaries and employee benefits	\$ 179,850
Services and supplies	141,488
Depreciation	46,984
Flood cleanup cost	62,142
Total program expenses	<u>430,464</u>

Program Revenues

Intergovernmental revenue	2,772
Charges for services	1,718
Insurance reimbursements	79,939
Total program revenues	<u>84,429</u>
Net program revenues (expenses)	<u>(346,035)</u>

General Revenues

Property taxes	440,656
Investment earnings	8,549
Miscellaneous	553
Total general revenues	<u>449,758</u>

Change in net position	103,723
Net position, beginning of year	<u>1,173,064</u>
Net position, end of year	<u>\$ 1,276,787</u>

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

**Russian River Recreation and Park District
Balance Sheet
Governmental Fund
June 30, 2020**

Assets

Cash and investments	\$ 617,947
Total assets	<u>\$ 617,947</u>

Liabilities and Fund Balance

Liabilities:	
Accounts payable	\$ 8,225
Fund balance:	
Unassigned	<u>609,722</u>
Total liabilities and fund balance	<u>\$ 617,947</u>

Reconciliation of Balance Sheet to Statement of Net Position

Fund balance - total government funds	\$ 609,722
Amount reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	671,800
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Compensated absences	<u>(4,735)</u>
Net position of governmental activities	<u>\$ 1,276,787</u>

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

**Russian River Recreation and Park District
Statement of Revenues, Expenditures and
Changes in Fund Balance
Governmental Fund
For the Fiscal Year Ended June 30, 2020**

Revenues

Property taxes	\$ 440,656
Investment earnings	8,549
Intergovernmental revenue	2,772
Charges for services	1,718
Insurance reimbursements	79,939
Miscellaneous	<u>553</u>
Total revenues	<u>534,187</u>

Expenditures

Public Recreation:	
Salaries and employee benefits	179,850
Services and supplies	141,488
Capital outlay	61,247
Flood cleanup cost	<u>62,142</u>
Total expenditures	<u>444,727</u>

Net change in fund balance	89,460
Fund balance, beginning of year	<u>520,262</u>
Fund balance, end of year	<u>\$ 609,722</u>

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

**Russian River Recreation and Park District
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balance of the Governmental Fund to the
 Statement of Activities
 For the Fiscal Year Ended June 30, 2020**

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

Net change in fund balance - total governmental fund	\$	89,460
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for capital assets		61,247
Current year depreciation		<u>(46,984)</u>
Change in net position of governmental activities	\$	<u><u>103,723</u></u>

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

Russian River Recreation and Park District
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budgets and Actual
General Fund
For the Fiscal Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 347,300	\$ 347,500	\$ 440,656	\$ 93,156
Investment earnings	9,000	9,500	8,549	(951)
Intergovernmental revenue	1,000	2,500	2,772	272
Charges for services	2,000	111,077	1,718	(109,359)
Insurance reimbursements	-	-	79,939	79,939
Miscellaneous	700	700	553	(147)
Total revenues	<u>360,000</u>	<u>471,277</u>	<u>534,187</u>	<u>62,910</u>
Expenditures				
Public Recreation:				
Salaries and employee benefits	158,500	160,571	179,850	(19,279)
Services and supplies	211,950	258,495	141,488	117,007
Capital outlay	209,531	260,549	61,247	199,302
Flood cleanup cost	-	-	62,142	(62,142)
Appropriations for contingency	65,000	65,000	-	65,000
Total expenditures	<u>644,981</u>	<u>744,615</u>	<u>444,727</u>	<u>299,888</u>
Net change in fund balance				
Budgetary, GAAP Basis	(284,981)	(273,338)	89,460	362,798
Fund balance, beginning of year	<u>520,262</u>	<u>520,262</u>	<u>520,262</u>	<u>-</u>
Fund balance, end of year	<u>\$ 235,281</u>	<u>\$ 246,924</u>	<u>\$ 609,722</u>	<u>\$ 362,798</u>

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

Russian River Recreation and Park District
Notes to the Basic Financial Statements
June 30, 2020

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

Russian River Recreation and Park District
Notes to the Basic Financial Statements
June 30, 2020

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

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

D. Assets, Liabilities, and Net Position or Fund Balance

1. Cash and Investments

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

2. Receivables

Amounts owed to the District by another government are reported as due from other governments.

3. Payables

Accounts payable include transactions in which the District has received goods and or services during the current year, but has not paid for them as of June 30th.

4. 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

Russian River Recreation and Park District
Notes to the Basic Financial Statements
June 30, 2020

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

Since the passage of California's Proposition 13, beginning with the fiscal year 1978/1979, general property taxes are based either on a flat 1% rate applied to the 1975/1976 full value, or on 1% of the sales price of the property on sales transactions and construction after the 1975/1976 valuation. Taxable values on properties (exclusive or increases related to sales and construction) can rise at a maximum of 2% per year.

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

5. Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

**Russian River Recreation and Park District
Notes to the Basic Financial Statements
June 30, 2020**

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10 – 30 years
Equipment	7 – 10 years

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

6. Compensated Absences

Vacation and sick leave are earned by both full time (30 or more hours worked a week) and part time (29 or less hours worked a week) employees. Vacation is accrued at a rate of 80 hours per year for full time employees, 40 hours per year for part time employees, with maximum accrual caps of 160 and 45 hours respectively. Accrued sick leave is forfeited upon employee separation and therefore is not included in compensated absences. All accrued vacation time is paid out upon employee separation. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for vacation leave is reported in the governmental funds only if they have matured, for example, as a result of employee resignation and retirements.

7. Net Position

Net position is classified into three components: 1) Net investment in capital assets, 2) restricted, and 3) unrestricted. These classifications are defined as follows:

- *Net investment in capital assets* - All capital assets, including infrastructure, are grouped into one component of net position. Accumulated depreciation and outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance of this category.
- *Restricted net position* - Represents 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 position* - Represents net position of the entity, not restricted for any project or other purpose.

Russian River Recreation and Park District
Notes to the Basic Financial Statements
June 30, 2020

When both restricted and unrestricted net position is available, restricted resources are used only after unrestricted resources are depleted.

8. 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 non-spendable, such as fund balance associated with inventories. Spendable fund balance for the governmental fund consists of the following classifications:

- *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.
- *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.
- *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.
- *Unassigned* – the residual amount of all general fund spendable resources not contained in the other classifications.

9. Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Russian River Recreation and Park District
Notes to the Basic Financial Statements
June 30, 2020

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

III. Detailed Notes

A. Cash and Investments

The District follows the County's practice of pooling cash and investments of all funds with the County Treasurer, except for a nominal amount of funds deposited annually with Westamerica Bank for the payment of payroll tax remittances and monthly account service fees. Deposits with Westamerica Bank are FDIC insured up to \$250,000.

Investment in the Sonoma County Treasurer's Investment Pool

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

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

Russian River Recreation and Park District
Notes to the Basic Financial Statements
June 30, 2020

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, Suite 100, Santa Rosa, California, 95403-2871.

Interest Rate Risk

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

As of June 30, 2019, approximately 49 percent of the securities in the Treasury Pool had maturities of one year or less. Of the remainder, less than 1 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

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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 state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.
- The California Government Code limits the total of all securities lending transactions to 20% of the fair value of the investment portfolio.

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

Concentration of Credit Risk

The investment policy of the County contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. For a listing of investments in any one issuer (other than U.S. Treasury securities, mutual funds, or external investment pools) that represent 5% or more of total County investments, refer to the 2019 Sonoma County Comprehensive Annual Financial Report.

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B. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers & Adjustments</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:					
Land	\$ 76,248	\$ -	\$ -	\$ -	\$ 76,248
Land - pre-acquisition costs	8,298	-	-	-	8,298
Total capital assets, not being depreciated	<u>84,546</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,546</u>
Capital assets, being depreciated:					
Buildings and improvements	912,046	61,247	(39,353)	-	933,940
Equipment	73,503	-	-	-	73,503
Total capital assets, being depreciated	<u>985,549</u>	<u>61,247</u>	<u>(39,353)</u>	<u>-</u>	<u>1,007,443</u>
Less accumulated depreciation for:					
Buildings and improvements	(372,618)	(43,059)	39,353	-	(376,324)
Equipment	(39,940)	(3,925)	-	-	(43,865)
Total accumulated depreciation	<u>(412,558)</u>	<u>(46,984)</u>	<u>39,353</u>	<u>-</u>	<u>(420,189)</u>
Total capital assets, being depreciated, net	<u>572,991</u>	<u>14,263</u>	<u>-</u>	<u>-</u>	<u>587,254</u>
Capital assets, net	<u>\$ 657,537</u>	<u>\$ 14,263</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 671,800</u>

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

Governmental activities:

 Public recreation \$ 46,984

Land - pre-acquisition costs represent funds expended towards the acquisition of land that have not closed escrow. Upon the close of escrow these funds will be moved into the Land asset category. In the event a property is not acquired, the funds associated with that property will be reclassified to expense.

Russian River Recreation and Park District
Notes to the Basic Financial Statements
June 30, 2020

C. Long-term Debt

Changes in long-term debt

Long-term liability activity for the year ended June 30, 2020, was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Long-term liabilities:					
Compensated absences	\$ 4,735	\$ -	\$ -	\$ 4,735	\$ -

IV. Other Information

A. Risk Management

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

As a result of the February 2019 flood, the District incurred flood related expenses, as well as partial reimbursement of these expenses from their insurance carrier. For the year ended June 30, 2020 the District capitalized \$20,461 of flood related expenses, the remaining flood related expenses \$62,142, were not capitalized. A summary of the flood expenses and insurance reimbursements is as follows:

	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>Total</u>
Incurred flood expenses	\$ 303,903	\$ 82,603	\$ 386,506
Insurance reimbursements	(286,567)	(79,939)	(366,506)
Insurance deductible	\$ -	\$ (20,000)	\$ (20,000)

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

As of June 30, 2020, the District Board consisted of the following members:

<u>Directors:</u>	<u>Office</u>	<u>Term Expires</u>
Herman J. Hernandez	Chairman	December, 2023
Esa Nadine Day	Vice Chairman	December, 2023
Steve L. Jackson		December, 2021
Audrey L. Teichmann		December, 2023
Marsee Louise Henon		December, 2021

Other Positions:

Paige MacDonell	Administrator	Continuous
John Condon	Maintenance Supervisor.....	Continuous

Regular Meetings:

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