ARCADE CREEK RECREATION AND PARK DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2018

ARCADE CREEK RECREATION AND PARK DISTRICT

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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 which comprise the basic financial statements of Arcade Creek Recreation and Park District as of and for the fiscal year ended June 30, 2018, and the related notes to the 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, 2018, 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

November 5, 2018

ARCADE CREEK RECREATION AND PARK DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
Assets	
Cash and investments	$ 184,872
Accounts receivable	1,049
Grants receivable	-
Due from other government	40,687
Interest receivable	1,135
Restricted cash and investments	205,996
Capital assets:	
Land	272,976
Construction in progress	207,241
Buildings and improvements	6,775,621
Equipment	171,047
Less: accumulated depreciation	(3,375,638)
Total Assets	4,484,986
Deferred Outflows of Resources	
Deferred Outflows Pensions	$ 473,904
Liabilities	
Current liabilities:	
Claims payable	$ 10,382
Accrued payroll	13,519
Deposits from others	294
Line of credit	15,000
Unearned revenue	16,073
Noncurrent liabilities:	
Due within one year	36,018
Due in more than one year	884,158
Total Liabilities	975,444
Deferred Inflows of Resources	
Deferred Inflows Pensions	53,933
Net Position	
Invested in capital assets, net of related debt	3,106,257
Restricted for other	136,724
Unrestricted	686,532
Total Net Position	$ 3,929,513

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

ARCADE CREEK RECREATION AND PARK DISTRICT

STATEMENT OF ACTIVITIES
JUNE 30, 2018

		Program Revenues			
	Expenses	Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Total
Governmental Activities:					
Recreation services	$ 821,853	$ 98,639	$ 48,178	$ 96,545	$ (578,491)
Interest on long-term debt	7,558				(7,558)
Total Governmental Activities	$ 829,411	$ 98,639	$ 48,178	$ 96,545	(586,049)

General Revenues:	
Taxes:	
Property tax, levied for general purp	583,145
Investment income	3,497
Other	12,371
Total general revenues	599,013
Special item-side fund payoff	(247,784)
Change in net position	(234,820)
Net position - beginning	4,164,333
Net position - ending	$ 3,929,513

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, 2018

		Special Revenue Funds		Capital Projects Fund	
	General Fund	Developer Deposits	Non-Major ADA Fund	District Projects	Total Governmental Funds
Assets					
Cash and investments	$ 184,872	$ -	$ -	$ -	$ 184,872
Accounts receivable		1,049			1,049
Grants receivable				-	-
Interest receivable	655	-	18	462	1,135
Due from other government	40,687				40,687
Due from other funds		-			-
Restricted cash and investments		133,078	2,579	70,339	205,996
Total Assets	$ 226,214	$ 134,127	$ 2,597	$ 70,801	$ 433,739
Liabilities and Fund Balances					
Liabilities					
Claims payable	$ 10,383	$ -	$ -	$ -	$ 10,383
Accrued payroll	13,519				13,519
Deposits from others				294	294
Line of credit	15,000				15,000
Unearned revenue	16,073				16,073
Due to other funds				-	-
Total Liabilities	54,975	-	-	294	55,269
Fund Balances					
Fund balances					
Restricted		134,127	2,597		136,724
Assigned	-			70,507	70,507
Unassigned	171,239				171,239
Total Fund Balances	171,239	134,127	2,597	70,507	378,470
Total Liabilities and Fund Balances	$ 226,214	$ 134,127	$ 2,597	$ 70,801	$ 433,739

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, 2018

Fund Balances of Governmental Funds	$ 378,470
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.	4,051,247
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.	(500,205)
Net position of governmental activities	$ 3,929,513

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, 2018

		Special Revenue Funds		Capital Project Fund	Total
	General Fund	Developer Deposits	Non-major ADA Fund	District Projects	Governmental Funds
Revenues					
Property taxes	$ 577,299	$ -	$ -	$ -	$ 577,299
Intergovernmental revenues	102,391			3,110	105,501
Charges for current services	26,399			-	26,399
Use of money and property	72,754	2,195	33	788	75,770
Other revenues	11,840	45,068	498	-	57,406
Total Revenues	790,683	47,263	531	3,898	842,375
Expenditures					
Current:					
Recreation services	699,698	3,457		-	703,155
Debt service					
Principal	14,600				14,600
Interest	7,558				7,558
Capital outlay	26,068			107,108	133,176
Total Expenditures	747,924	3,457	-	107,108	858,489
Excess (Deficit) of Revenues Over (Under) Expenditures Before Other Financing Sources (Uses) and Special Item	42,759	43,806	531	(103,210)	(16,114)
Other Financing Sources (Uses)					
Proceeds of debt	305,400				305,400
Cost of issuance-long term debt	(57,616)				(57,616)
Transfers in		-	-	135,326	135,326
Transfers (out)		(135,326)	-	-	(135,326)
Total Other Financing Sources (Uses)	247,784	(135,326)	-	135,326	247,784
Special item-payoff unfunded pension liability	(247,784)				(247,784)
Net Change in Fund Balances	42,759	(91,520)	531	32,116	(16,114)
Fund Balances, July 1, 2017	128,480	225,647	2,066	38,391	394,584
Fund Balances, June 30, 2018	$ 171,239	$ 134,127	$ 2,597	$ 70,507	$ 378,470

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 REVNUES, EXPENDITURES, AND CHANGES IN NET POSITION TO THE STATEMENT OF ACTIVITIES JUNE 30, 2018

Net Change in Fund Balances - Total Governmental Funds	$	(16,114)
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		133,176
Depreciation expense		(236,151)
Disposal of capital assets		(1,663)
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.		175,567
Proceeds of long-term debt are recognized as other financing sources (uses) in the funds and as long-term debt in the statement of net position		(305,400)
Payments of long-term debt are recognized as expense in the funds and as a reduction to debt in the statement of net postion		14,600
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.		1,165
Change in net position of governmental activities	$	(234,820)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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.

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.

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:

Assets	Useful Life
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.

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 incurrence 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, 2018, consisted of the following:

Checking account	$	3,000
Imprest cash		1,000
Cash and investment in the County Treasurer		386,868
Total cash and investments	$	390,868

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

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:

		Remaining Maturity (in Months)	
		12 Months	13-48
Investment Type	Totals	or Less	Months
Sacramento County*	$ 386,868	$ 386,868	$ -
Totals	$ 386,868	$ 386,868	$ -

*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, 2018, the District's deposits balance was $3,000 and the carrying amount was $3,000. 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.

Note 2: Cash and Investments (Continued)

E. Investment in Government Pool

Investments are accounted for in accordance with the provisions of GASB Statement No. 31, which requires governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in fair value of investments in the year in which the change occurred. The District reports its investment in the Sacramento County investment pool at fair value based on quoted market information obtained from fiscal agents or other sources if the change is material to the financial statements.

Note 3: Property Plant and Equipment

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

	Balance July 1, 2017	Additions	Retirement/ Adjustments	Balance June 30, 2018
Capital assets, not being depreciated:				
Land	$ 272,976	$ -	$ -	$ 272,976
Construction in progress	176,505	30,736		207,241
Capital assets, being depreciated:				
Structures and improvements	6,729,720	$ 54,217	(8,316)	6,775,621
Equipment	122,824	48,223	-	171,047
Total capital assets, being depreciated	6,852,544	102,440	(8,316)	6,946,668
Less accumulated depreciation	(3,146,139)	(236,151)	6,652	(3,375,638)
Total capital assets, being depreciated, net	3,706,405	(133,711)	(1,664)	3,571,030
Governmental activities, capital assets, net	$ 4,155,886	$ (102,975)	$ (1,664)	$ 4,051,247

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, 2018:

	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018	Due within One Year
Governmental Activities					
Compensated absences	$ 30,284	$ 19,671	$ (20,836)	$ 29,119	$ 10,418
Pension side fund loan		305,400	(14,600)	290,800	25,600
Net pension liabillity (Note 5)	563,917	36,340		600,257	
Totals	$ 594,201	$ 361,411	$ (35,436)	$ 920,176	$ 36,018

ARCADE CREEK RECREATION AND PARK DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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 was 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
2019	$ 25,600	$ 11,978	$ 37,578
2020	26,700	10,857	37,557
2021	27,900	9,688	37,588
2022	29,200	8,466	37,666
2023	30,400	7,191	37,591
2024-2027	151,000	15,025	166,025
Totals	$ 290,800	$ 63,205	$ 354,005

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.

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

The Plan provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous	
	Prior to	On or after
Hire date	January 1, 2013	January 1, 2013
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	55-60	52 - 67
Monthly benefits , % of eligible compensation	1.5% to 2%	1.0% to 2%
Required employee contribution rates	7%	6.25%
Required employer contribution rates	8.418%	6.25%

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, 2018, the contributions recognized as part of pension expense for the miscellaneous Plan was as follows:

Contributions-employer	$	83,284
Additional side fund payment	$	247,784

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2018, 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	
Miscellanous Plan	$	600,257

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, 2016, 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, 2015 rolled forward to June 30, 2016 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.

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

The District's proportionate share of the net pension liability as of measurement dates June 30, 2016 and 2017 were as follows:

Proportion - June 30, 2016	0.01623%
Proportion - June 30, 2017	0.01523%
Change - Increase (Decrease)	-0.00101%

For the year ended June 30, 2018, the District recognized pension expense of $155,502. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ (10,931)
Changes of assumptions	94,008	
Net difference between projected and actual earnings on pension plan investments	23,016	
Changes in proportion	25,812	
Difference in contributions and the proportionate share of contributions		(7,713)
District contributions subsequent to the measurement date	331,068	-
Total	$ 473,904	$ (18,644)

$331,068 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, 2019. 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:	
2019	$ (58,610)
2020	(47,276)
2021	(31,974)
2022	13,668
2023	-
Thereafter	-

Actuarial Assumptions – The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.15%

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

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2016 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

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 7.65 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 is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. 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 through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our 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.

Asset Class	New Strategic Allocation	Real Return Years 1-10 (1)	Real Return Years 11+ (2)
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19%	0.80%	2.27%
Inflation Sensitive	6%	0.60%	1.39%
Private Equity	12%	6.60%	6.63%
Real Estate	11%	2.80%	5.21%
Infrastructure and Forestland	3%	3.90%	5.36%
Liquidity	2%	-0.4%	-0.90%

(1) An expected inflation of 2.5% used for this period

(2) An expected inflation of 3.0% used for this period

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	$ 935,712	$ 600,257	$ 322,426

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, 2018.

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 invested in capital assets (net of related debt), 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.

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	$ -	$ 134,127	$ 2,597	$ -
Assigned for next years budget				
Assigned for capital projects				70,801
Unassigned	171,239			
Total fund balance	$ 171,239	$ 134,127	$ 2,597	$ 70,801

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: Stewardship, Compliance and Accountability

A. Excess of Expenditures Over Appropriations

Expenditures exceeded the budget, in the general fund, by $57,616 for the cost of issuance and $247,784 for the CalPERS side fund payment which were financed with the $305,400 bank loan from UMPQUA. Furthermore expenditures exceeded the budget in the general fund capital outlay account for $11,068 in equipment and for $15,000 origination costs on the $350,000 Line of Credit to be used for the bridge project.

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: 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.

Construction Contracts

As of June 30, 2018 the District had contracts with two vendors for the Bridge construction project. The total amount committed for these contracts was $494,878. The contracts will be paid from grant funding, district matching funds and funding from Sacramento Sewer District

Note 13: Gann Limit

Total Tax and Interest Revenue 2017-18	$	636,094
Amount of limit for 2017-18		1,411,179
Amount (under)/over limit (all sources)	$	(775,085)

Note 14: Subsequent Event

Subsequent to fiscal year end the District drew down $314,237 from its Line of Credit with UMPQUA bank. The balance remaining after the draw down and paying the $15,000 line of credit cost of issuance was $20,763.

On September 1, 2018 the County of Sacramento increased the District's cash account by $40,687 to correct double payments in group insurance and retirement expense that began after the County converted to a new payroll system in January 2018. This is reflected in the due from other government asset account in these financial statements

ARCADE CREEK RECREATION AND PARK DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
JUNE 30, 2018

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
Revenues				
Property taxes	$ 563,650	$ 534,825	$ 577,299	$ 42,474
Intergovernmental revenues	110,500	110,500	102,391	(8,109)
Charges for current services	33,000	33,000	26,399	(6,601)
Use of money and property	72,030	80,000	72,754	(7,246)
Other revenues	26,000	40,500	11,840	(28,660)
Total Revenues	805,180	798,825	790,683	(8,142)
Expenditures				
Salaries and benefits	543,478	521,391	462,580	58,811
Services and supplies	359,974	334,824	237,118	97,706
Debt service				
Principal expense		14,600	14,600	-
Interest expense		7,637	7,558	79
Capital outlay			26,068	(26,068)
Total Expenditures	903,452	878,452	747,924	130,528
Excess (Deficit) of Revenues Over (Under) Expenditures Before Other Financing Sources (Uses) and Special Item	(98,272)	(79,627)	42,759	122,386
Other Financing Sources (Uses)				
Proceeds of debt			305,400	305,400
Cost of issuance-long term debt			(57,616)	(57,616)
Operating transfers out		(25,000)		25,000
Total Other Financing Sources (Uses)		(25,000)	247,784	272,784
Special item-payoff unfunded pension liability			(247,784)	(247,784)
Net Change in Fund Balances	$ (98,272)	$ (104,627)	42,759	$ 147,386
Fund Balance, July 1, 2017			128,480	
Fund Balance, June 30, 2018			$ 171,239	

ARCADE CREEK RECREATION AND PARK DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2018

Actuarial Valuation Date	District's proportionate share of the net pension liability (asset)	District's proportionate share of the net pension liability (asset)	District's covered-employee payroll	District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
6/30/2015	0.01978%	$542,794	$250,242	216.91%	56.49%
6/30/2016	0.01623%	$563,916	$244,577	230.57%	59.43%
6/30/2017	0.01523%	$600,257	$213,023	281.78%	58.40%

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, 2018

Actuarial Valuation Date	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	District's covered employees payroll	Contribution as a percentage of covered-employee payroll
6/30/2015	$78,383	($78,383)	$0	$240,210	32.63%
6/30/2016	$81,976	($81,976)	$0	$250,080	32.78%
6/30/2017	$83,284	($83,284)	$0	$213,023	39.10%

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.

NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

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.