

LADERA RECREATION DISTRICT
AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

LADERA RECREATION DISTRICT

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JUNE 30, 2011

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INDEPENDENT AUDITORS' REPORT



To the Board of Directors of
Ladera Recreation District
Portola Valley, California

We have audited the accompanying financial statements of the governmental activities and fund information of the Ladera Recreation District (the "District"), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District at June 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 6, 2012 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary schedules identified in the table of contents are presented for additional analysis and are not a required part of the basic financial statements of the District. The information contained in the supplementary schedules has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion thereon.

Morton & Associates, Inc.

Morton & Associates Inc.
Certified Public Accountants

February 6, 2012

LADERA RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2011

This section of the annual financial report of the Ladera Recreation District (the "District") presents our discussion and analysis of the District's financial performance during the fiscal year June 30, 2011.

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the District's financial statements, including the notes and the supplementary information that immediately follow this section.

FINANCIAL HIGHLIGHTS

- In total, net assets increased by \$55,943.
- General revenues accounted for \$207,445, or 33.51 percent, of total revenues of \$619,102. Program-specific revenues in the form of charges for services, grants, and contributions accounted for \$411,657, or 66.49 percent, of the total revenues.
- Total government-wide assets increased by \$23,920. Cash and cash equivalents increased by \$61,826, and net capital assets decreased by \$37,906 after improvements and depreciation.
- Total program expenses were \$563,159. Program-specific charges for services, grants, and contributions offset \$411,657 of these expenses. General revenues (primarily taxes) of \$207,445 were more than adequate to provide for the deficit in these programs.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information.

The basic financial statements include two kinds of statements that present different views of the District. The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operation in more detail than the government-wide statements.

The fund financial statements are composed of:

- Government fund statements, which tell how basic services were financed in the short-term, as well as what remains for future spending.

LADERA RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2011

The Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. Net assets are the difference between assets and liabilities, which is one way to measure the District's financial health, or financial position. Overtime, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. To assess the overall health of the District, it is necessary to consider additional non-financial factors including the condition of the District's buildings and other facilities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund financial statements

The fund financial statements provide more detailed information about the District's most significant funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by law and covenants.
- The District establishes other funds to control and manage money for particular purposes or to show that certain revenues have been properly used.

Governmental funds

Most of the District's basic services are reported in governmental funds which generally focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash, and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the governmental-wide statements, we provide additional information at the bottom of the governmental fund statement that explains the relationship (or differences) between them.

LADERA RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2011

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

TABLE 1: NET ASSETS

A summary of total district revenues, expenses, and changes in net assets is presented in the table below.

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Change</u>	<u>% Change</u>
Assets				
Current and Other Assets	\$ 1,264,165	\$ 1,202,339	\$ 61,826	5.14
Capital Assets	<u>1,518,333</u>	<u>1,556,239</u>	<u>(37,906)</u>	<u>(2.44)</u>
Total Assets	<u>\$ 2,782,498</u>	<u>\$ 2,758,578</u>	<u>\$ 23,920</u>	<u>2.70</u>
Liabilities				
Current Liabilities	\$ 50,317	\$ 37,340	\$ 12,977	34.75
Long-Term Liabilities	<u>40,000</u>	<u>85,000</u>	<u>(45,000)</u>	<u>(52.94)</u>
Total Liabilities	<u>\$ 90,317</u>	<u>\$ 122,340</u>	<u>\$ (32,023)</u>	<u>(18.19)</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	\$ 1,436,766	\$ 1,433,899	\$ 2,867	0.20
Restricted	1,006,220	999,160	7,060	0.71
Unrestricted	<u>249,195</u>	<u>203,179</u>	<u>46,016</u>	<u>22.65</u>
Total Net Assets	<u>\$ 2,692,181</u>	<u>\$ 2,636,238</u>	<u>\$ 53,076</u>	<u>23.36</u>

TABLE 2: CHANGES IN NET ASSETS

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Change</u>	<u>% Change</u>
Revenues				
General Revenues	\$ 207,445	\$ 195,484	\$ 11,961	6.12
Program Revenues	<u>411,657</u>	<u>493,347</u>	<u>(81,690)</u>	<u>(16.56)</u>
Total Revenues	<u>619,102</u>	<u>688,831</u>	<u>(69,729)</u>	<u>(10.44)</u>
Program Expenses				
Community Recreational Services	525,253	527,859	(2,606)	(0.49)
Depreciation	<u>37,906</u>	<u>35,863</u>	<u>2,043</u>	<u>5.70</u>
Total Program Expenses	<u>563,159</u>	<u>563,722</u>	<u>(563)</u>	<u>5.21</u>
Changes in Net Assets	<u>\$ 55,943</u>	<u>\$ 125,109</u>	<u>\$ (69,166)</u>	<u>-</u>

The decrease in program revenue from June 30, 2011 to June 30, 2010 was because of a decrease of grant income from the county.

LADERA RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2011

Governmental Activities

Program revenues directly financed \$411,657 of the total expenses; the balance was financed by property taxes and other general revenues.

TABLE 3: GOVERNMENTAL ACTIVITIES

	<u>Total Cost of Service 2011</u>	<u>Net Cost of Service 2011</u>	<u>Total Cost of Service 2010</u>	<u>Net Cost of Service 2010</u>
Community Recreational Services	\$ 525,253	\$ 113,596	\$ 527,859	\$ 96,441
Depreciation - unallocated	<u>37,906</u>	<u>37,906</u>	<u>35,863</u>	<u>35,863</u>
Total Government activities	<u>\$ 563,159</u>	<u>\$ 151,502</u>	<u>\$ 563,722</u>	<u>\$ 132,304</u>

This table displays, by function, the total and net costs of services provided. The net cost of services represents the total recreation costs less any grants or contributions plus revenue charged for the program.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUND

TABLE 4: FUND BALANCES

	<u>Fund Balance June 30, 2011</u>	<u>Fund Balance June 30, 2010</u>	<u>Change</u>	<u>Percentage Change</u>
General fund	\$ 249,195	\$ 203,179	\$ 46,016	22.65
Reserved for Capital Projects	908,783	901,362	7,421	0.82
Debt Service	<u>97,437</u>	<u>97,798</u>	<u>(361)</u>	<u>(0.37)</u>
Total Government Funds	<u>\$ 1,255,415</u>	<u>\$ 1,202,339</u>	<u>\$ 53,076</u>	<u>4.41</u>

General Fund Budgetary Highlights

In the Budget originally adopted by the Board of Directors, total revenues were budgeted at \$575,427 and expenditures at \$550,427. Revenues were projected to exceed expenditures by \$25,000. There were no subsequent budget modifications. (See Schedule 1).

LADERA RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2011

Capital Assets and Debt Administration

Capital Assets at Year End Net of Depreciation

As of June 30, 2011, the District owned the following capital assets:

TABLE 5: CAPITAL ASSETS

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>% Change</u>
Land	\$ 987,266	\$ 987,266	-
Structures and improvements	1,153,918	1,153,918	-
Furniture & fixtures	27,125	27,125	-
Machinery and equipment	<u>88,961</u>	<u>88,961</u>	-
Total Capital Assets	<u>\$ 2,257,270</u>	<u>\$ 2,257,270</u>	-

Long-Term Debt

As of June 30, 2011, the District had a total of \$80,000 of outstanding debt scheduled to be fully repaid by 2012. These loans were made to finance capital projects.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions regarding this report or need additional financial information, contact Perry Roberts or Wendy Seymour, Ladera Recreation District, 150 Andeta Way, Portola Valley, California 94028.

LADERA RECREATION DISTRICT

STATEMENT OF NET ASSETS
JUNE 30, 2011

ASSETS

Cash and investments	\$ 1,262,491
Receivables	1,674
Capital assets	
Land	987,266
Structures and improvements	1,153,918
Furniture and fixtures	27,125
Machinery and equipment	88,961
Accumulated depreciation	<u>(738,937)</u>
 Total Assets	 <u>\$ 2,782,498</u>

LIABILITIES

Accounts Payable	\$ 10,317
Loans payable - due within one year	40,000
Loans payable - due after one year	<u>40,000</u>
 Total Liabilities	 <u>\$ 90,317</u>

NET ASSETS

Invested in capital assets, net of related debt	\$ 1,436,766
Restricted for:	
Capital projects	908,783
Debt service	97,437
Unrestricted	<u>249,195</u>
 Total Net Assets	 <u>\$ 2,692,181</u>

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

LADERA RECREATION DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

Program expenses:	
Community recreational services	\$ 525,253
Depreciation	37,906
	<hr/>
Total program expenses	563,159
	<hr/>
Program revenues:	
Park and recreation fees	407,460
Grants	-
Miscellaneous	4,196
	<hr/>
Total program revenues	411,656
	<hr/>
Net program cost	151,503
	<hr/>
General revenues:	
Taxes levied	171,783
Contribution In-kind	6,475
Interest and investment earnings	5,442
Investment Change	(4,527)
ERAF Rebate	28,273
	<hr/>
Total general revenues	207,446
	<hr/>
Changes in net assets	55,943
	<hr/>
Net assets as of June 30, 2010	2,636,238
	<hr/>
Net assets as of June 30, 2011	\$ 2,692,181
	<hr/> <hr/>

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

LADERA RECREATION DISTRICT

**GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2011**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
<u>ASSETS:</u>				
Cash in county treasury	\$ 62,682	\$ -	\$ 58,541	\$ 121,223
Cash with fiscal agents	-	-	37,443	37,443
Cash in banks	195,062	908,762	-	1,103,824
Interest receivable	201	21	167	389
Other receivables	-	-	1,285	1,285
Total Assets	<u>\$ 257,945</u>	<u>\$ 908,783</u>	<u>\$ 97,437</u>	<u>\$ 1,264,165</u>
<u>LIABILITIES:</u>				
Accounts Payable	<u>\$ 8,750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,750</u>
Total Liabilities	<u>\$ 8,750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,750</u>
<u>FUND BALANCES:</u>				
Fund Balances:				
Reserved for capital projects	\$ -	\$ 908,783	\$ -	\$ 908,783
Reserved for debt service	-	-	97,437	97,437
Unreserved, undesignated	249,195	-	-	249,195
Total Fund Balances	<u>249,195</u>	<u>908,783</u>	<u>97,437</u>	<u>1,255,415</u>
<u>LIABILITIES & FUND BALANCE:</u>	<u>\$ 257,945</u>	<u>\$ 908,783</u>	<u>\$ 97,437</u>	<u>\$ 1,264,165</u>

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

LADERA RECREATION DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS JUNE 30, 2011

Total fund balances - governmental funds	\$ 1,255,415
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The actual or estimated historical acquisition cost of the assets is \$2,257,270 and the accumulated depreciation is \$738,937.	1,518,333
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatrued interest owing at the end of the period was:	(1,567)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	<u>(80,000)</u>
Net assets of governmental activities	<u><u>\$ 2,692,181</u></u>

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

LADERA RECREATION DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES- GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	General Fund	Capital Projects Fund	Debt Service Fund	Total
REVENUES:				
Grants	\$ -	\$ -	\$ -	\$ -
Property Taxes:				
Current, Secured	112,095			112,095
Current, Unsecured	6,374			6,374
Supplemental	92			92
Homeowner Property Tax Relief	781			781
Bonds - Property Tax Fund			52,441	52,441
Aid from Governmental Agencies:				
ERAF Rebate	28,273			28,273
Other Revenues:				
Park and Recreation Fees	407,460			407,460
Contribution In-kind	6,475			6,475
Interest	5,061		381	5,442
Investment Change	(4,527)			(4,527)
Other Income	4,196			4,196
Total Revenues	566,280	-	52,822	619,102
EXPENDITURES:				
Salaries and Benefits	275,262			275,262
General Office Supplies	812			812
Repairs and Maintenance	58,512			58,512
Paint, Solvent, and Chemicals	12,480			12,480
Landscaping	11,208			11,208
Contribution In-Kind	6,475			6,475
Custodial Services	6,394			6,394
Utilities	33,772			33,772
Professional	16,497		2,796	19,293
In-house Administration and Accounting	6,257			6,257
Program Activities	29,668			29,668
Debt Service Interest			5,860	5,860
Debt Service Principle			40,000	40,000
Taxes and Assessments	4,813			4,813
District Operating Expenses	34,344			34,344
Vending	4,440			4,440
Telephone	1,856			1,856
Insurance	14,580			14,580
Total Expenditures	517,370	-	48,656	566,026
EXCESS/(DEFICIENCY) OVER/(UNDER) REVENUES UNDER EXPENDITURES	48,910	-	4,166	53,076
OTHER FINANCING SOURCES/(USES):				
Transfers in		7,421		7,421
Transfers out	(2,894)		(4,527)	(7,421)
Total Financing Sources/(Uses)	(2,894)	7,421	(4,527)	-
NET CHANGE IN FUND BALANCES	46,016	7,421	(361)	53,076
FUND BALANCES AS OF JUNE 30, 2010	203,179	901,362	97,798	1,202,339
FUND BALANCES AS OF JUNE 30, 2011	\$ 249,195	\$ 908,783	\$ 97,437	\$ 1,255,415

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

LADERA RECREATION DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Net change in fund balance - governmental funds	\$ 53,076
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital outlay is reported in governmental funds 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.	(37,906)
Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:	40,000
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:	<u>773</u>
Change in net assets of governmental assets	<u>\$ 55,943</u>

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

LADERA RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. The District

The Ladera Recreation District was organized in April 1958 by voters of Ladera, an unincorporated area of San Mateo County west of Alpine Road, and consisting of approximately 534 residential parcels. The District maintains a swimming pool, tennis courts, a community center, and children's play area at 150 Andeta Way.

The District offers Ladera residents swimming and tennis lessons, a swim team, and summer recreation programs for a reasonable fee. These services are offered to non-residents at an increased fee.

The District is governed by a five member Board of Directors elected for three-year terms. The Board meets on the first Monday of each month. In the event one of the Directors is unable or does not choose to serve a complete term, a successor is appointed by the Board.

B. Basis of Presentation

The Government-wide Financial Statements report economic resources and activities of the District. The Statement of Activities and Changes in Net Assets presents the Program Expenses and Revenues of the District as well as the General Revenues. Program Revenues include fees charged participants as well as grants and contributions restricted to the operations or capital requirements of a particular program. General Revenues include non-program revenues, generally taxes, and investment earnings. Offsetting program revenues and expenses indicates the extent to which the programs are self-financing or need to draw from general revenues.

Fund Financial Statements report detailed information about the District by major funds. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. All of the District's funds were considered major.

Governmental funds are prepared on the basis of current financial resources. Only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. A reconciliation is presented to indicate the difference in presentation between the Government-wide Financials and the Fund Financial Statements.

LADERA RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

C. Basis of Accounting

Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues - Exchange and Non-Exchange Transactions:

Revenues resulting from exchange of value such as program fees are recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. For the District, "available" means collectible within the current fiscal year or within 60 days after year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include:

- (i) timing requirements - which specify the year when the resources are to be used or the fiscal year when use is first permitted;
- (ii) matching requirements - which the District must provide in local resources to be used for a specific purpose; and
- (iii) expenditure requirements - which set what must be done for the District to be reimbursed.

Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue:

Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. On government fund financial statements, receivables associated with non-exchange transaction that will not be collected within the availability period have also been recorded as deferred revenue.

LADERA RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major funds as follows:

- The *General Fund* is used to account for all financial resources except those to be accounted for in another fund or account group.
- The *Capital Projects Fund* is used to account for financial resources to be used for the acquisition or construction of major capital assets.
- The *Debt Service Fund* is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and related costs.

E. Budgets and Budgetary Accounting

The Board of Directors adopts a preliminary budget prior to July 1 for the ensuing fiscal year.

Formal budgetary integration is employed as a management control device for the general fund during the year. Expenditures may not legally exceed budgeted appropriations at the fund level.

LADERA RECREATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States. Budget to actual comparisons in this report use this budgetary basis. These budgeted amounts include the original Board adopted budget and any resolved amendments.

F. Deposits and Investments

Cash balances held in banks and revolving funds were insured up to \$250,000 as of June 30, 2011 per institution by the Federal Depository Insurance Corporation ("FDIC"). All cash held by the financial institutions is fully insured or collateralized, except the amount that exceeds the maximum insured levels of the FDIC.

G. Capital Assets

Capital assets are those purchased or acquired with an original cost of \$3,000 or more and are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlay that significantly extend the useful life of an asset are capitalized. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred.

Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Examples</u>	<u>Estimated Useful Life (Yrs)</u>
Land		
Structures and Improvement	Building, swimming pools, sidewalks, tennis court	15-50
Furniture and Fixtures	Office and pool furniture	10
Machinery and Equipment	Playground equipment	3-15

H. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

In the fund financial statements, the face amount of the debt issued, premiums, or discounts are reported as other financing sources/uses.

LADERA RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

I. Fund Balance Reserves and Designations

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities. Portions of a fund's balance may be reserved or designated for future expenditure.

Reservations of the ending fund balance indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use.

J. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

K. Reporting Entity

The District's financial statements reflect its own activities; it has no component units.

L. Use of Estimates

The District's management has made certain estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

LADERA RECREATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2011

NOTE 2: PROPERTY TAX LEVY, COLLECTION AND MAXIMUM RATES

The State of California (the State) Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed one percent of its assessed value unless voters have approved an additional amount. Assessed value is calculated at 100 percent of market value as defined by Article XIII A and may be increased by no more than two percent per year unless the property is sold or transferred. The State Legislature has determined the method of distribution of receipts from a one percent tax levy among counties, cities, school districts and other special districts. Counties, cities and school districts may levy such additional tax as is necessary to provide for voter approved debt service. The County of San Mateo assesses properties, bills, and collects property taxes as follows:

	Secured	Unsecured
Valuation dates	March 1	March 1
Lien/levy dates	July 1	July 1
Due dates	50% on November 1 50% on February 1	Upon receipt of billing
Delinquent as of	Dec 10 (for Nov) April 10 (for Feb)	August 31

The term "unsecured" refers to taxes on property not secured by liens on real property. Property taxes levied are recorded as revenue when received, in the fiscal year of levy, because of the adoption of the "alternate method" of property tax distribution, known as the Teeter Plan, by the San Mateo County Mosquito Abatement District and the County of San Mateo. The Teeter Plan authorized the auditor-controller of the County of San Mateo to allocate 100 percent of the secured property tax billed but not yet paid. The County of San Mateo remits tax monies to the District in three installments, as follows: 50 percent remitted on December 15; 40 percent remitted on April 15; and 10 percent remitted on June 30.

NOTE 3: CASH AND INVESTMENTS

The Federal Deposit Insurance Company (FDIC) insures bank balances up to \$250,000 for each bank. As of June 30, 2011, total amount of \$53,820 was at risk.

LADERA RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 3: CASH AND INVESTMENTS, CONTINUED

Cash and investments consisted of the following as of June 30, 2011:

	<u>Carrying Value</u>	<u>Investment Rating</u>
Cash in Chase Bank	\$ 354,462	FDIC Insured
Cash in Wells Fargo Bank	251,694	FDIC Insured
Cash in U.S. Bank	233,090	FDIC Insured
Cash in Bank of the West	257,649	FDIC Insured
Cash in Other Institutions	6,929	FDIC Insured
Cash with fiscal agents	37,443	FDIC Insured
Cash in county treasury	121,224	AAVI+
Total Cash and Investment	<u>\$ 1,262,491</u>	

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2011</u>
Land - not depreciable	\$ 987,266	\$	\$	\$ 987,266
Structures and improvements	1,153,918			1,153,918
Furniture and fixtures	27,125			27,125
Machinery and equipment	88,961			88,961
Total Capital Assets	<u>2,257,270</u>			<u>2,257,270</u>
Less: Accumulated Depreciation				
Building	523,922	17,555		541,477
Structure and improvements	97,769	11,707		109,476
Furniture and fixtures	25,963	2,713		28,676
Machinery and equipment	53,377	5,931		59,308
Total Accumulated Depreciation	<u>701,031</u>	<u>37,906</u>		<u>738,937</u>
Net Capital Assets	<u>\$ 1,556,239</u>	<u>\$ (37,906)</u>	<u>\$</u>	<u>\$ 1,518,333</u>

NOTE 5: SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 6, 2012, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

LADERA RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 6: LONG-TERM DEBT

The change in long-term obligations for the fiscal year ended June 30, 2011, was as follows:

<u>Long-term Obligations</u>	<u>Balance June 30, 2010</u>	<u>Retirements & Adjustments</u>	<u>Balance June 30, 2011</u>	<u>Due Within One Year</u>
Limited obligation improvement bonds installment agreement	\$ 120,000	\$ 40,000	\$ 80,000	\$ 40,000
Long-Term Obligations	<u>\$ 120,000</u>	<u>\$ 40,000</u>	<u>\$ 80,000</u>	<u>\$ 40,000</u>

a) Limited Obligation Improvement Bonds

On July 10, 1997, the District issued Limited Obligation Improvement Bonds to fund construction of improvements to recreation facilities owned by the District. The bonds are issued upon and secured by unpaid assessments together with interest thereon. The unpaid assessments together with interest are collected in annual installments on the tax roll on which general taxes on real property are collected and are payable and become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest as do general taxes. Interest is payable semiannually on March 2 and September 2.

Debt service requirements, including interest, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	40,000	3,530	43,530
2013	40,000	1,180	41,180
Total Debt Service	<u>\$ 80,000</u>	<u>\$ 4,710</u>	<u>\$ 84,710</u>

NOTE 7: JOINT POWERS AGENCY

The District is a member of the California Association for Park and Recreation Insurance ("CAPRI"), a joint powers agency comprised of participating recreation and park special districts formed under the Resource Codes of California. CAPRI provides liability and property insurance coverages. Financial information for CAPRI is available by contacting its office at 6341 Auburn Blvd., Citrus Heights, CA 95621-5203.

LADERA RECREATION DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (GAAP)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES:				
Property Taxes:	\$ 136,100	\$ 136,100		(136,100)
Current, Secured			112,095	112,095
Current, Unsecured			6,374	6,374
Supplemental			92	92
Homeowner Property Tax Relief			781	781
Aid from Governmental Agencies:				
ERAF Rebate			28,273	28,273
Other revenues:				
Park and Recreation Fees	430,131	430,131	407,460	(22,671)
Donations	1,400	1,400	-	(1,400)
Contribution In-Kind			6,475	6,475
Interest	5,000	5,000	5,061	61
Investment Change			(4,527)	(4,527)
Other Income	2,796	2,796	4,196	1,400.00
Total Revenues	575,427	575,427	566,280	(9,147)
EXPENDITURES:				
Salaries and Benefits	295,000	295,000	275,262	19,738
Printing and Copying Services	400	400	-	400
General Office Supplies	1,632	1,632	812	820
Repairs and Maintenance	37,713	37,713	58,512	(20,799)
Paint, Solvent, and Chemicals	13,658	13,658	12,480	1,178
Landscaping	16,191	16,191	11,208	4,983
Contribution In-Kind	-	-	6,475	(6,475)
Custodial Services	11,345	11,345	6,394	4,951
Utilities	35,749	35,749	33,772	1,977
Meeting & Conference	9,218	9,218	-	9,218
Professional	12,723	12,723	16,497	(3,774)
In-house Administration and Accounting	5,741	5,741	6,257	(516)
Program Activities	31,326	31,326	29,668	1,658
Debt Service Interest	-	-	-	-
Debt Service Principle	-	-	-	-
Taxes and Assessments	2,500	2,500	4,813	(2,313)
District Operating Expenses	18,754	18,754	34,344	(15,590)
Vending	4,997	4,997	4,440	557
Telephone	2,278	2,278	1,856	422
Insurance	12,508	12,508	14,580	(2,072)
Capital Outlay	20,000	20,000	-	20,000
Equipment Acquisition	8,642	8,642	-	8,642
Miscellaneous	10,052	10,052	-	10,052
Total Expenditures	550,427	550,427	517,370	33,057
EXCESS OF REVENUES OVER EXPENDITURES	25,000	25,000	48,910	23,910
OTHER FINANCING SOURCES/(USES):				
Transfers out			(2,894)	
Total Financing Sources/(Uses)	-	-	(2,894)	-
NET CHANGE IN FUND BALANCE	\$ 25,000	\$ 25,000	\$ 46,016	\$ 23,910
FUND BALANCE AS OF JUNE 30, 2010			\$ 203,179	
FUND BALANCE AS OF JUNE 30, 2011			\$ 249,195	

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Ladera Recreation District
Portola Valley, California

We have audited the basic financial statements of the Ladera Recreation District ("the District") as of June 30, 2011, and for the year then ended, and have issued our report thereon dated February 6, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our test disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the management of the Ladera Recreation District's management and the State Controller's office, and is not intended to be and should not be used by anyone other than these specified parties.

Morton & Associates, Inc.
Morton & Associates Inc.
Certified Public Accountants
February 6, 2012