Tehachapi Valley Recreation and Park District

Tehachapi, California

Annual Financial Report

For the Year Ended June 30, 2017

THE PUN GROUP
ACCOUNTANTS & ADVISORS

Tehachapi Valley Recreation and Park District
Annual Financial Report
For the Year Ended June 30, 2017

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FINANCIAL SECTION

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THE PUN GROUP
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the Tehachapi Valley Recreation and Park District
Tehachapi, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Tehachapi Valley Recreation and Park District (District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves 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 entity'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 entity'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 presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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To the Board of Directors
of the Tehachapi Valley Recreation and Park District
Tehachapi, California

Other Matters

Required Supplementary Information

Management has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule – General Fund, Budgetary Comparison Schedule – Capital Projects Fund, Schedule of the District's Proportionate Share of the Plan's Net Pension Liability and the Schedule of the District's Contributions to the Pension Plan on pages 41 through 44, respectively, are presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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.

Summarized Comparative Information

We have previously audited the District's June 30, 2016 financial statements, and our report dated June 30, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Santa Ana, California
November 30, 2017

THE PUN GROUP
ACCOUNTANTS & ADVISORS

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

Independent Auditors' Report

To the Board of Directors
of the Tehachapi Valley Recreation and Park District
Tehachapi, California

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of the Tehachapi Valley Recreation and Park District (District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 30. 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be a material weaknesses or significant deficiency and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be significant deficiencies. We did identify certain deficiencies in internal controls, described in our separately issued *Report on Internal Control Matters in an Audit* that we consider to be material weakness as items 2017-01.

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To the Board of Directors
of the Tehachapi Valley Recreation and Park District
Tehachapi, California

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions 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 tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Santa Ana, California
November 30. 2017

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Tehachapi Valley Recreation and Park District
Statement of Net Position
June 30, 2017
(With Comparative Amounts as of June 30, 2016)

ASSETS	2017	2016
Current assets:		
Cash and investments (Note 2)	$ 299,179	$ 778,623
Accrued interest receivable	1,465	1,430
Property taxes receivable	584	4,343
Accounts receivable – other	6,670	3,510
Prepaid items	9,910	14,289
Total current assets	317,808	802,195
Non-current assets:		
Restricted – cash and investments (Note 2 and 3)	232,392	-
Capital assets – not being depreciated (Note 4)	216,779	567,763
Capital assets, net – being depreciated (Note 4)	2,177,176	928,296
Total non-current assets	2,626,347	1,496,059
Total assets	2,944,155	2,298,254
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts related to net pension liability (Note 7)	116,478	47,501
Total deferred outflows of resources	116,478	47,501
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	35,649	207,905
Accrued payroll and related liabilities	24,987	23,453
Unearned revenue	1,000	1,000
Accrued interest payable	7,640	-
Long-term liabilities – due within one year:		
Compensated absences (Note 5)	12,433	12,564
Loan payable (Note 6)	31,617	-
Total current liabilities	113,326	244,922
Noncurrent liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (Note 5)	18,649	18,845
Loan payable (Note 6)	541,380	-
Net pension liability (Note 7)	177,761	75,553
Total noncurrent liabilities	737,790	94,398
Total liabilities	851,116	339,320
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts related to net pension liability (Note 7)	87,321	119,985
Total deferred inflows of resources	87,321	119,985
NET POSITION		
Net investment in capital assets (Note 8)	2,053,350	1,496,059
Unrestricted	68,846	390,391
Total net position	$ 2,122,196	$ 1,886,450

See accompanying Notes to the Basic Financial Statements.

Tehachapi Valley Recreation and Park District
Statement of Activities
For the Year Ended June 30, 2017
(With Comparative Amounts For the Year Ended June 30, 2016)

	Governmental Activities	
	2017	2016
Expenses:		
Recreation and park services:		
Operations	$ 983,203	$ 998,108
Depreciation expense	166,237	112,095
Interest expense	16,359	-
Cost of debt issuance	20,250	-
Total expenses	1,186,049	1,110,203
Program revenues:		
Charges for services	233,081	189,719
Other reimbursements	1,324	13,759
Operating and capital grant funding	194,900	75,556
Total program revenues	429,305	279,034
Net program expense	(756,744)	(831,169)
General revenues:		
Property taxes	870,099	869,408
Capital development fees	36,329	55,562
Insurance proceeds	82,554	-
Investment earnings	3,508	4,869
Total general revenues	992,490	929,839
Change in net position	235,746	98,670
Net position:		
Beginning of year	1,886,450	1,787,780
End of year	$ 2,122,196	$ 1,886,450

See accompanying Notes to the Basic Financial Statements.

FUND FINANCIAL STATEMENTS

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Tehachapi Valley Recreation and Park District
Balance Sheet - Governmental Funds
Governmental Funds
June 30, 2017

ASSETS	General Fund	Capital Projects Fund	Total Governmental Funds
Assets:			
Cash and investments	$ 292,738	$ 6,441	$ 299,179
Restricted – cash and investments	232,392	-	232,392
Accrued interest receivable	1,453	12	1,465
Property taxes receivable	584	-	584
Accounts receivable – other	6,670	-	6,670
Prepaid items	9,910	-	9,910
Total assets	$ 543,747	$ 6,453	$ 550,200
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable and accrued expenses	$ 35,649	$ -	$ 35,649
Accrued payroll and related liabilities	24,987	-	24,987
Unearned revenue	1,000	-	1,000
Total liabilities	61,636	-	61,636
Fund balance: (Note 9)			
Nonspendable	9,910	-	9,910
Restricted	232,392	-	232,392
Committed	3,704	6,453	10,157
Assigned	31,082	-	31,082
Unassigned	205,023	-	205,023
Total fund balance	482,111	6,453	488,564
Total liabilities and fund balance	$ 543,747	$ 6,453	$ 550,200

See accompanying Notes to the Basic Financial Statements.

Tehachapi Valley Recreation and Park District
Reconciliation of the Balance Sheet of Governmental Type Funds to the Statement of Net Position of Governmental Activities
June 30, 2017

Fund Balance of Governmental Funds	$ 488,564
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those assets as capital assets.	2,626,347
Deferred outflows of resources used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those deferred outflows of resources.	116,478
Long-term liabilities applicable to the District are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities' both current and long-term, are reported in the statement of net position as follows:	
Accrued interest payable	(7,640)
Compensated absences	(31,082)
Loan payable	(572,997)
Net pension liability	(177,761)
Deferred inflows of resources used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those deferred inflows of resources.	(87,321)
Total adjustments	1,866,024
Net Position of Governmental Activities	$ 2,354,588

See accompanying Notes to the Basic Financial Statements.

Tehachapi Valley Recreation and Park District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues:			
Property taxes	$ 870,099	$ -	$ 870,099
Charges for services	233,081	-	233,081
Other reimbursements	1,324	-	1,324
Operating and capital grant funding	194,900	-	194,900
Capital development fees	-	36,329	36,329
Insurance proceeds	82,554	-	82,554
Investment earnings	3,068	440	3,508
Total revenues	1,385,026	36,769	1,421,795
Expenditures:			
Current operations:			
Salaries and wages	467,202	-	467,202
Employee benefits	139,943	-	139,943
Materials and services	375,818	-	375,818
Capital outlay	814,055	250,078	1,064,133
Debt service:			
Principal payments	14,253	-	14,253
Interest payments	8,719	-	8,719
Total expenditures	1,819,990	250,078	2,070,068
Excess of revenues over (under) expenditures	(434,964)	(213,309)	(648,273)
Other financing sources (uses) of funds:			
Proceeds from issuance of debt	587,250	-	587,250
Cost of debt issuance	(20,250)	-	(20,250)
Total other financing sources (uses) of funds	567,000	-	567,000
Net change in fund balance	132,036	(213,309)	(81,273)
Fund Balance:			
Beginning of year	350,075	219,762	569,837
End of year	$ 482,111	$ 6,453	$ 488,564

See accompanying Notes to the Basic Financial Statements.

Tehachapi Valley Recreation and Park District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017

Net Change in Fund Balance – Governmental Funds	$ (81,273)
Amount reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital outlay	1,064,133
Depreciation expense	(166,237)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenses in governmental funds as follows:	
Net change in accrued interest payable	(7,640)
Net change in compensated absences	327
Net change in net pension liability and related deferred resources	(567)
Principal repayment of long-term debt is reported as an expenditure in governmental funds. However, principal repayments reduce liabilities in the statement of net position and do not result in expenses in the statement of activities.	14,253
Loan payable issuance proceeds are reported as other financing sources in governmental funds and thus contribute to the change in fund balances. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities.	(587,250)
Total adjustments	317,019
Change in Net Position of Governmental Activities	$ 235,746

See accompanying Notes to the Basic Financial Statements.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

Organization and Operations of the Reporting Entity

The basic financial statements of Tehachapi Valley Recreation and Park District (District) include the accounts of all of the activities of the District. The District was formed as an independent special district to provide quality leisure services, park, programs, and facilities; address the recreational needs of all ages; promote positive customer service, fiscal responsibility, and accountability: and enhance and promote personal well-being and a sense of community.

The District is the primary governmental unit based on the foundation of a separately appointed five member board. The board is appointed by the Kern County Board of Supervisors and the Tehachapi City Council. The board has decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

Basis of Accounting and Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the activities of the primary government. The effect of inter-fund activity has been removed from these statements and eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Fund Financial Statements

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

The District’s financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Basis of Accounting and Measurement Focus (Continued)

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as a revenue until that time.

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

Governmental fund financial statements are reported using the *"current financial resources"* measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenues to be available if they are collected within 60 days of the end of the current fiscal year and other revenues when collected within one year of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The primary revenue sources susceptible to accrual are property taxes, charges for services, and interests associated with the current fiscal period and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major funds:

Governmental Funds:

General Fund – is a government's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund when necessary.

Capital Projects Fund – is used to account for resources received from Quimby Fee for capital improvements to new or rehabilitations of existing neighborhood, community park, or recreation facilities.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in District net position during the reporting period. Actual results could differ from those estimates.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Investments

Changes in fair value that occur during a fiscal year are recognized as unrealized gains or losses and reported for that fiscal year. Investment income comprises interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the Statements of Net Position, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1 that are observable for the assets or liabilities through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

Prepaid Items

Certain payments to vendors reflects costs or deposits applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Capital Assets

Capital assets are recorded in the government-wide financial statements. Included in capital assets is equipment used at the District. District policy has set the capitalization threshold for reporting capital assets at $3,000. Donated assets are recorded at estimated acquisition value at the date of donation. Capital outlay is recorded as expenditures of the General Fund and as assets in the government-wide financial statements to the extent the District's capitalization threshold is met. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Asset Class	Useful Lives
Buildings and improvements	5 to 30 years
Furniture and equipment	3 to 7 years
Vehicles	5 years

Compensated Absences

The District's personnel policies provide for accumulation of vacation and sick leave. Liabilities for vacation and sick leave are recorded when benefits are earned. Cash payment of unused vacation is available to those qualified employees when retired or terminated.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Pension Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. The following timeframes are used for pension reporting:

CalPERS	
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Measurement Period	July 1, 2015 to June 30, 2016

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

Property Assessments

Property assessments determined by the District are included on property tax bills of San Bernardino County within the District's service area. Property assessments are recorded as revenue when received, in the fiscal year of receipt, because of the adoption of the *alternate method of property tax distribution* known as the Teeter Plan, by the District and San Bernardino County. San Bernardino County remits the property assessments to the District throughout the fiscal year.

Net Position

Net position is categorized as follows:

Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt against the acquisition, construction or improvement of those assets.

Restricted – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The District has no restricted net position as of June 30, 2017.

Unrestricted – This component of net position consists of net amount of assets that are not included in the determination of *restricted* or *net investment in capital assets.*

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Fund Balance

The financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

Nonspendable – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

Restricted – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions enabling legislation.

Committed – amounts that can only be used for specific purposes determined by formal action of the District's highest level of decision-making authority (the Board of Directors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

Assigned – amounts that are constrained by the District's intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose.

Unassigned – the residual classification for the District's general fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The Board of Directors establishes, modifies or rescinds fund balance commitments and assignments by passage of a resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, followed by the unrestricted, committed, assigned and unassigned resources as they are needed.

Fund Balance Policy

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain an unrestricted fund balance in its funds sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned and unassigned fund balances are considered unrestricted.

The purpose of the District's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising assessments and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Accounting Changes

During the year ended June 30, 2017, the District implemented the following new GASB pronouncements:

Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (those not covered by GASB Statements 67 and 68). The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016.

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans.* The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

Statement No. 77, *Tax Abatement Disclosures.* This Statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. Governments should organize those disclosures by major tax abatement programs and may disclose information for individual tax abatement agreements within those programs. This Statement is effective for financial statements for fiscal years beginning after December 15, 2015.

Statement No. 78, *Pension Provided Through Certain Multiple-Employer Defined Benefit Pension Plans.* The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement is effective for financial statements for fiscal years beginning after December 15, 2015.

Statement No. 79, *Certain External Investment Pools and Pool Participants.* This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The specific requirements of this Statement that are effective for certain provisions on portfolio quality, custodial credit risk, and shadow pricing are effective for reporting periods beginning after December 15, 2015.

Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14.* The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016.

Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73.* This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

Note 2 – Cash and Investments

Cash and investments as of June 30 were classified on the accompanying financial statements as follows:

Description		Balance
Cash and investments	$	299,179
Restricted – cash and investments		232,392
Total cash and investments	$	531,571

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

Description		Balance
Cash on hand	$	1,247
Demand deposits with financial institutions		154,809
Investments		375,515
Total cash and investments	$	531,571

Demand Deposits

At June 30, 2017, the carrying amount of the District’s demand deposits was $154,809 and the financial institution balance was $165,856. The $11,047 net difference as of June 30, 2017 represents outstanding checks, deposits-in-transit and/or other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured up to $250,000 by the FDIC.

The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an agent of depositor has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California agents of depository are considered to be held for, and in the name of, the local government.

Custodial Credit Risk

The 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 deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District’s investment policy requires that collateral be held by an independent third party with whom the District has a current custodial agreement.

Note 2 – Cash and Investments (Continued)

Custodial Credit Risk (Continued)

The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District's investment policy requires that all security transactions are conducted on a delivery-versus-payment (DVP) method and that all securities are held by a qualified, third-party custodian, as evidenced by safekeeping receipts. The trust department of the District's bank may act as third-party custodian, provided that the custodian agreement is separate from the banking agreement. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as KCTIP).

As of June 30, 2017 none of the District's deposits and investments was exposed to disclosable custodial credit risk.

Investments

The District's investments as of June 30, 2017 were as follows:

Type of Investments	Measurement Focus	Credit Rating	June 30, 2017 Fair Value	Maturity 12 Months or Less
Kern County Treasury Investment Pool	Level 2	AAA-bf	$ 375,515	$ 375,515
Total investments			$ 375,515	$ 375,515

Authorized Investments and Investment Policy

The District has adopted an investment policy directing the Fiscal Officer to deposit funds in financial institutions.

Investments are to be made in the following areas:

External Investment Pools:
Kern County Treasury Investment Pool (KCTIP)
Money market funds

Note 2 – Cash and Investments (Continued)

Investment with County of Kern Treasury Investment Pool

The District is a voluntary participant in the Kern County Treasury Investment Pool (KCTIP) pursuant to Government Code Section 53694. The cash flow needs of participants are monitored daily to ensure that sufficient liquidity is maintained to meet the needs of those participants. At the time deposits are made, the Kern County Investment Pool's Treasurer may require the depositing entity to provide annual cash flow projections or an anticipated withdrawal schedule for deposits in excess of $1 million. Projections are performed no less than semi-annually. In accordance with Government Code Section 27136, all request for withdrawal of funds for the purpose of investing or deposits the funds elsewhere shall be evaluated to ensure the proposed withdrawal will not adversely affect the principal deposits of the other participants. Pool detail may be obtained from the County of Kern Treasurer's Office – 1115 Truxtun Avenue, 2nd Floor, Bakersfield, CA 93301 or the Treasurer and Tax Collector's office website at www.kcttc.co.kern.ca.us.

The Kern County Treasurer has indicated to the District that as of June 30, 2017 the value of the County's portfolio approximated $3.2 billion and the portfolio holds no derivative products. The District's investment with the Kern County Treasurer's Office as of June 30, 2017 was $375,515. KCTIP's fair value factor of 0.99864% as of June 30, 2017 was used to calculate the fair value of the investments in the KCTIP.

Fair Value Measurement Input

The District categorizes its fair value measurement inputs within the fair value hierarchy established by generally accepted accounting principles. The District has presented its measurement inputs as noted in the table above.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2017 the District's investment in the KCTIP was rated AAA-bf as noted in the table above.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the fair values of investments with longer maturities have greater sensitivity to changes in market interest rates. The District's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The District has elected to use the segmented time distribution method of disclosure for the maturities of its investments as related to interest rate risk as noted in the table above.

Concentration of Credit Risk

The District's investment policy contains no limitations on the amount that can be invested in any one governmental agency or non-governmental issuer beyond that stipulated by the California Government Code. There were no investments in any one governmental or non-governmental issuer that represented 5% or more of the District's total investments except for those in KCTIP.

Note 3 – Restricted Assets

The District's restricted assets are the remaining unspent loan proceeds of $232,392 for capital improvements to the District's recreation facilities.

Note 4 – Capital Assets

Changes in capital assets for the year were as follows:

	Balance July 1, 2016	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2017
Non-depreciable capital assets:				
Land	$ 166,735	$ -	$ -	$ 166,735
Construction-in-process	401,028	1,064,133	(1,415,117)	50,044
Total non-depreciable capital assets	567,763	1,064,133	(1,415,117)	216,779
Depreciable capital assets:				
Buildings and improvements	2,842,089	767,949	(35,980)	3,574,058
Furniture and equipment	552,254	637,339	(74,725)	1,114,868
Vehicles	160,336	9,829	-	170,165
Total depreciable capital assets	3,554,679	1,415,117	(110,705)	4,859,091
Accumulated depreciation:				
Buildings and improvements	(2,052,903)	(58,889)	35,980	(2,075,812)
Furniture and equipment	(490,825)	(77,179)	74,725	(493,279)
Vehicles	(82,655)	(30,169)	-	(112,824)
Total accumulated depreciation	(2,626,383)	(166,237)	110,705	(2,681,915)
Total depreciable capital assets, net	928,296	1,248,880	-	2,177,176
Total capital assets, net	$ 1,496,059	$ 2,313,013	$ (1,415,117)	$ 2,393,955

Note 5 – Compensated Absences

The changes to the compensated absences balance at June 30, 2017 were as follows:

Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Current	Non-current
$ 31,409	$ 21,566	$ (21,893)	$ 31,082	$ 12,433	$ 18,649

Note 6 – Long-term Debt

Changes in long-term debt amounts for the year ended June 30, 2017 were as follows:

Long-Term Debt	Balance July 1, 2016	Additions/ Adjustments	Payments/ Amortization	Balance June 30, 2017
Loan payable – 2016	$ -	$ 587,250	$ (14,253)	$ 572,997
Total long-term debt	$ -	$ 587,250	$ (14,253)	$ 572,997

Loan Payable – 2016

On August 15, 2016, the District issued $587,250 in a loan payable at a 3.20% interest rate for capital improvements to the District's recreation facilities. Debt service payments for principal and interest are made on August 1st and February 1st each year. The debt matures in fiscal year 2032. Annual debt service requirements are as follows:

Year	Principal	Interest	Total
2018	$ 31,617	$ 18,085	$ 49,702
2019	32,636	17,065	49,701
2020	33,689	16,012	49,701
2021	34,776	14,926	49,702
2022	35,897	13,804	49,701
2023-2027	197,619	50,887	248,506
2028-2032	206,763	16,891	223,654
Total	572,997	$ 147,670	$ 720,667
Current	(31,617)		
Noncurrent	$ 541,380		

Note 7 – Net Pension Liability and Defined Benefit Pension Plan

Summary

Type of Account	Balance as of July 1, 2016	Additions	Deletions	Balance as of June 30, 2017
Deferred Outflows of Resources:				
Pension contributions made after the measurement date:				
CalPERS – Miscellaneous Plan	$ 32,998	$ 30,756	$ (32,998)	$ 30,756
Adjustment due to differences in proportions:				
CalPERS – Miscellaneous Plan	13,059	28,698	(15,011)	26,746
Differences between projected and actual earnings on pension plan investments:				
CalPERS – Miscellaneous Plan	-	58,067	-	58,067
Differences between expected and actual experience:				
CalPERS – Miscellaneous Plan	1,444	-	(535)	909
Total deferred outflows of resources	$ 47,501	$ 117,521	$ (48,544)	$ 116,478
Net Pension Liability:				
CalPERS – Miscellaneous Plan	$ 75,553	$ 135,206	$ (32,998)	$ 177,761
Deferred Inflows of Resources:				
Differences between projected and actual earnings on pension plan investments:				
CalPERS – Miscellaneous Plan	$ 6,844	$ -	$ (6,844)	$ -
Difference between actual and proportionate share of employer contributions:				
CalPERS – Miscellaneous Plan	26,248	18,501	(15,667)	29,082
Adjustment due to differences in proportions:				
CalPERS – Miscellaneous Plan	73,239	-	(26,157)	47,082
Changes in assumptions:				
CalPERS – Miscellaneous Plan	13,654	-	(2,497)	11,157
Total deferred inflows of resources	$ 119,985	$ 18,501	$ (51,165)	$ 87,321

Note 7 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

General Information about the Pension Plans

The Plans Description Schedule

The District has engaged with CalPERS to administer the following pension plans for its employees (members):

	Miscellaneous Plans	
	Classic Tier 1	PEPRA Tier 2
Hire date	Prior to December 31, 2012	On or after January 1, 2013
Benefit formula	2.0% @ 60	2.0 @ 62
Benefit vesting schedule	5-years or service	5-years or service
Benefits payments	monthly for life	monthly for life
Retirement age	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	1.092% to 2.418%	1.0% to 2.0%
Required member contribution rates	7.000%	6.237%
Required employer contribution rates	7.159%	6.555%

Plan Description

The District contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2015 Annual Actuarial Valuation Report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

Members Covered by Benefit Terms

At June 30, 2015 (Valuation Date), the following members were covered by the benefit terms:

	Miscellaneous Plans		
Plan Members	Classic Tier 1	PEPRA Tier 2	Total
Active members	2	8	10
Transferred and terminated members	6	5	11
Retired members and beneficiaries	6	-	6
Total plan members	14	13	27

Note 7 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

General Information about the Pension Plans (Continued)

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A Classic CalPERS Miscellaneous member becomes eligible for service retirement upon attainment of age 55 with at least 5 years of credited service. Public Employees' Pension Reform Act (PEPRA) Miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 full-time equivalent monthly pay. Retirement benefits for Classic Miscellaneous and Safety members are calculated as a percentage of their plan based the average final 36 months compensation. Retirement benefits for PEPRA Miscellaneous members are calculated as a percentage of their plan based the average final 36 months compensation.

Participant members are eligible for non-industrial disability retirement if they become disabled and have at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by service. Industrial disability benefits are not offered to miscellaneous employees.

A member's beneficiary may receive the basic death benefit if the member dies while actively employed. The member must be actively employed with the District to be eligible for this benefit. A member's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the members’ accumulated contributions, where interest is currently credited at 7.5 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of $500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each member’s retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 3%.

Note 7 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

General Information about the Pension Plans (Continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers will 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. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The public agency cost-sharing plans covered by the Miscellaneous risk pool, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of members. For the measurement period ended June 30, 2016 (Measurement Date), the active member contribution rate for the Classic Miscellaneous Plan and the PEPRA Miscellaneous Plan are based above in the Plans Description schedule.

For the year ended June 30, 2017, the contributions made to the Plan were as follows:

	Miscellaneous Plans		
Contribution Type	**Classic Tier 1**	**PEPRA Tier 2**	**Total**
Contributions – employer	$ 12,288	$ 18,468	$ 30,756
Contributions – members	4,971	17,519	22,490
Total contributions	$ 17,259	$ 35,987	$ 53,246

Actuarial Methods and Assumptions Used to Determine the Total Pension Liability

For the measurement period ended June 30, 2016 (Measurement Date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. The June 30, 2015 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Note 7 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The long-term expected rate of return on the pension plan investments was determined in which best-estimate ranges of expected future real rates are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were considered. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years.

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.*

The table below reflects 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 geometric rates of return are net of administrative expenses.

Investment Type	New Strategic Allocation	Real Return Years 1 - 10[1]	Real Return Years 11+[2]
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%
	100.00%		

[1] An expected inflation rate-of-return of 2.5% is used for years 1 – 10.

[2] An expected inflation rate-of-return of 3.0% is used for years 11+.

Note 7 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Sensitivity of the District's 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 of the Plan as of the measurement date, calculated using the discount rate of 7.65%, 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 (6.65%) or 1 percentage-point higher (8.65%) than the current rate:

	Plan's Net Pension Liability/(Asset)		
Plan Type	**Discount Rate - 1% 6.65%**	**Current Discount Rate 7.650%**	**Discount Rate + 1% 8.65%**
CalPERS – Miscellaneous Plan	$ 387,876	$ 177,761	$ 4,111

Pension Plan Fiduciary Net Position

Detail information about the plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications.

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the plan's proportionate share of the risk pool collective net pension liability over the measurement period for the Miscellaneous Plan:

Plan Type and Balance Descriptions	Plan Total Pension Liability	Plan Fiduciary Net Position	Change in Plan Net Pension Liability
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2015 (Measurement Date)	$ 1,500,755	$ 1,425,202	$ 75,553
Balance as of June 30, 2016 (Measurement Date)	$ 1,560,673	$ 1,382,912	$ 177,761
Change in Plan Net Pension Liability	$ 59,918	$ (42,290)	$ 102,208

Note 7 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

(1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2015). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability (TPL) determines the net pension liability (NPL) at the valuation date.

(2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2016). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2015 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2015-16 fiscal year).

(3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date.

(4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.

(5) The plan's TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.

(6) The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

The District's proportionate share of the net pension liability was as follows:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2017	Fiscal Year Ending June 30, 2016	Change Increase/ (Decrease)
Measurement Date	June 30, 2016	June 30, 2015	
Percentage of Risk Pool Net Pension Liability	0.005117%	0.002750%	0.002367%
Percentage of Plan (PERF C) Net Pension Liability	0.002054%	0.001101%	0.000953%

For the year ended June 30, 2017, the District recognized pension expense/(credit) in the amounts of $31,323 for the CalPERS Miscellaneous Plan.

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

Note 7 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

The expected average remaining service lifetime (EARSL) for PERF C for the measurement date ending June 30, 2016 is 3.7 years, which was obtained by dividing the total service years of 475,689 (the sum of remaining service lifetimes of the active employees) by 127,009 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Account Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions made after the measurement date	$ 30,756	$ -
Difference between actual and proportionate share of employer contributions	-	29,082
Adjustment due to differences in proportions	26,746	47,082
Differences between expected and actual experience	909	-
Differences between projected and actual earnings on pension plan investments	58,067	-
Changes in assumptions	-	11,157
Total Deferred Outflows/(Inflows) of Resources	$ 116,478	$ 87,321

The District will recognize $32,998 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date as a reduction of the net pension liability in the fiscal year ended June 30, 2018, as noted above.

Amortization of Deferred Outflows of Resources and Deferred Inflows of Resources

Other remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized to pension expense in future periods as follows:

Amortization Period Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2017	$ (24,749)
2018	(19,909)
2019	28,018
2020	15,041
Total	$ (1,599)

Note 8 – Net Investment in Capital Assets

Net investment in capital assets as of June 30 was as follows:

Description	Balance
Net investment in capital assets:	
Restricted – cash and investments	$ 232,392
Capital assets – not being depreciated	216,779
Capital assets, net – being depreciated	2,177,176
Loan payable – current	(31,617)
Loan payable – noncurrent	(541,380)
Total net investment in capital assets	$ 2,053,350

Note 9 – Fund Balance

A detailed schedule of fund balances and their funding composition at June 30, 2017 is as follows:

Description	General Fund	Capital Projects Fund	Total Governmental Funds
Nonspendable:			
Prepaid items	$ 9,910	$ -	$ 9,910
Restricted:			
Loan proceeds	232,392	-	232,392
Commited:			
Capital projects	3,704	6,453	10,157
Assigned:			
Compensated absences	31,082	-	31,082
Unassigned	205,023	-	205,023
Total fund balances	$ 482,111	$ 6,453	$ 488,564

Note 10 – Deferred Compensation Savings Plan

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program. The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors.

The District has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.* Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the accompanying statement of net position.

Note 11 – Risk Management

The District is exposed to various risks of loss and has effectively managed risk through a combination of insurance, with deductibles, self-insurance, and employee education and prevention programs. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. In addition, there were no settlements or claims in the past three years that exceeded insurance coverage.

Note 12 – Contingencies

Litigation

In the ordinary course of operations, the District is subject to other claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters will not materially affect its financial condition.

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REQUIRED SUPPLEMENTARY INFORMATION

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Tehachapi Valley Recreation and Park District

Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2017

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Property taxes	$ 828,000	$ 870,099	$ 42,099
Charges for services	180,584	233,081	52,497
Other reimbursements	15,000	1,324	(13,676)
Operating and capital grant funding	186,006	194,900	8,894
Insurance proceeds	82,554	82,554	-
Investment earnings	3,000	3,068	68
Total revenues	1,295,144	1,385,026	89,882
Expenditures:			
Current:			
Salaries and benefits	474,292	467,202	7,090
Employee benefits	161,687	139,943	21,744
Materials and services	369,976	375,818	(5,842)
Capital outlay	266,217	814,055	(547,838)
Debt service:			
Principal payments	14,253	14,253	-
Interest payments	8,719	8,719	-
Total expenditures	1,295,144	1,819,990	(524,846)
Excess of revenues over (under) expenditures	-	(434,964)	614,728
Other financing sources (uses) of funds:			
Proceeds from issuance of debt	570,000	587,250	17,250
Cost of debt issuance	(20,000)	(20,250)	(250)
Total other financing sources (uses) of funds	550,000	567,000	17,000
Net change in fund balance	$ 550,000	132,036	$ 631,728
Fund Balance:			
Beginning of year		350,075	
End of year		$ 482,111	

Tehachapi Valley Recreation and Park District

Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule – Capital Projects Fund
For the Year Ended June 30, 2017

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Capital development fees	$ 282,932	$ 36,329	$ (246,603)
Investment earnings	375	440	65
Total revenues	283,307	36,769	(246,538)
Expenditures:			
Capital outlay	282,932	250,078	32,854
Total expenditures	282,932	250,078	32,854
Net change in fund balance	$ 375	(213,309)	$ (279,392)
Fund balances:			
Beginning of year		219,762	
End of year		$ 6,453	

Tehachapi Valley Recreation and Park District
Required Supplementary Information (Unaudited)
Schedule of the District's Proportionate Share of the Plan's Net Pension Liability
For the Year Ended June 30, 2017

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Measurement Date:	**June 30, 2016[1]**	**June 30, 2015[1]**	**June 30, 2014[1]**
District's Proportion of the Net Pension Liability	0.002054%	0.001101%	0.001908%
District's Proportionate Share of the Net Pension Liability	$ 177,761	$ 75,553	$ 118,719
District's Covered Payroll	$ 506,758	$ 483,403	$ 168,308
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	35.08%	15.63%	70.54%
Liability	74.06%	78.40%	79.82%

[1] Historical information is required only for measurement periods for which GASB No. 68 is applicable.

Tehachapi Valley Recreation and Park District
Required Supplementary Information (Unaudited)
Schedule of the District's Contributions to the Pension Plan
For the Year Ended June 30, 2017

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Fiscal Year:	**2016-17**[1]	**2015-16**[1]	**2014-15**[1]	**2013-14**[1]
Actuarially Determined Contribution[2]	$ 30,756	$ 32,998	$ 22,517	$ 12,292
Contribution in Relation to the Actuarially Determined Contribution[2]	(30,756)	(32,998)	(22,517)	(12,292)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 351,351	$ 506,758	$ 483,403	$ 444,228
Contributions as a Percentage of Covered Payroll	8.75%	6.51%	4.66%	2.77%

[1] Historical information is required only for measurement periods for which GASB No. 68 is applicable.

[2] Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side-fund or their unfunded liability. Employer contributions for such plan exceed the actuarial determined contributions. CalPERS has determined that employer obligations referred to as *side-funds* are not considered separately financed specific liabilities.

[3] Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB No. 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

Notes to the Schedule:

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).