Tehachapi Valley Recreation and Park District

Tehachapi, California

Annual Financial Report

For the Year Ended June 30, 2018

THE PUN GROUP
ACCOUNTANTS & ADVISORS

Tehachapi Valley Recreation and Park District
Annual Financial Report
For the Year Ended June 30, 2018

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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, 2018, 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.

Auditors' 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 audit 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 opinions.

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, 2018, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis, 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 39 through 42, 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.

Prior-Year Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2017, from which such partial information was derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2019, 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.

The Pun Group, LLP

Santa Ana, California
March 12, 2019

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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 12, 2019.

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 material weaknesses. However, material weaknesses may exist that have not been identified.

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*

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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.

The Pun Group, LLP

Santa Ana, California
March 12, 2019

The discussion and analysis of the Tehachapi Valley Recreation and Park District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal yearend of June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole.

The Tehachapi Valley Recreation and Park District is an independent Special District governed by a five (5)-member, appointed Board of Directors: three (3) members are appointed by the Kern County Board of Supervisors and two (2) are appointed by the Tehachapi City Council.

TVRPD operates and maintains over 115 acres of parkland, including a 90-acre aquatic recreational area; a natatorium; an outdoor sports complex including baseball and softball fields; a 10,000 sf. Activity center; and an 11,000-sf. Skate park. The District also offers a wide variety of inclusive recreational and educational programs, classes, activities, and events for all ages of participants in the community.

Introductions to the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's audited financial statements, which are comprised of the basic financial statements. This annual report is prepared in accordance with the Government Accounting Standards Board (GASB) Statement No. 34 *Basic Financial Statement – and Management's Discussion and Analysis – for states and local Governments.*

The required financial statements include the Government-Wide and Fund Financial Statements; State of Net Position; State of Activities; Governmental Funds Balance Sheet; and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance; Budgetary Comparison Schedule – General Fund. These statements are supported by notes to the basic financial statements. All sections must be considered together to obtain a complete understanding of the financial picture of the District.

Financial Analysis of the District

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 equity, 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 two broad categories which in aggregate include one type and one account group as follows:

    - General Fund: General fund is used to record the general operations of the District.
    - Capital Project Fund: Capital project fund is used to account for resources received from Quimby funds and Kern County Park Development, to be used for capital improvements to new or rehabilitations of existing neighborhood or community park or recreation facilities.
    - Account Groups: General Fixed Assets Account Group Accounts for property, plant and equipment used in governmental fund type operations.

Financial Highlights

Key financial highlights for 2017 – 2018 are as follows:

Overall:

- Total expenses was $1,300,153 while revenue was $1,384,709 a difference of 84,556. Difference will be explained below.
  - Total general revenues decreased by $40,947. This is due to the insurance proceeds of $82,554 was earned in 2017. However, property taxes and capital development fees increased by $13,493 and $23,513, respectively.
  - Total program revenues increased by $3,861. Charges for services increased by $95,494 and operating and capital grant contributions was decreased by $92,319.
  - Total expenses increased by $114,104. This increase is due to the addition of a maintenance employee and the increase in pension costs.
- Next Year's Budget:
  - Total budgeted general fund revenues for the 2019 fiscal year are $1,475,640 which is an increase of $155,527 from the fiscal year 2018. Budgeted expenditures of 1,497,882 are supposed to increase by $331,386 from FY 2018.

Capital Asset Administration

Capital assets balances consisted of the following:

	June 30, 2018	June 30, 2017
Non-depreciable capital assets:		
Land	$ 166,735	$ 166,735
Construction-in-process	55,258	50,044
Total non-depreciable capital assets	221,993	216,779
Depreciable capital assets:		
Buildings and improvements	3,590,114	3,574,058
Furniture and equipment	1,122,239	1,114,868
Vehicles	162,109	170,165
Total depreciable capital assets	4,874,462	4,859,091
Accumulated depreciation:		
Buildings and improvements	(2,154,131)	(2,075,812)
Furniture and equipment	(592,343)	(493,279)
Vehicles	(108,031)	(112,824)
Total accumulated depreciation	(2,854,505)	(2,681,915)
Total depreciable capital assets, net	2,019,957	2,177,176
Total capital assets, net	$ 2,241,950	$ 2,393,955

Debt Administration

Long-term debt balances consisted of the following:

	June 30, 2018	June 30, 2017
Loan payable – 2016	$ 541,380	$ 572,997
Total long-term debt	$ 541,380	$ 572,997

Conditions Affecting Current Financial Position

The operations of the District are funded by property taxes and other charges for services. Changes in the economy are unlikely to directly impact the District. Management is not aware of past, present or future conditions that would have a significant impact on the District's financial position and/or net position.

Contacting the Tehachapi Valley Recreation and Park District's Financial Management:

This financial report will give the public an overview of the agency's financial dealings, where the funds are coming from. And how they are being spent. If additional information is needed, please contact:

District Manager
Tehachapi Valley Recreation and Park District
P.O. Box 373
Tehachapi, CA 93581

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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, 2018
(With Comparative Amounts as of June 30, 2017)

ASSETS	Governmental Activities 2018	2017
Current assets:		
Cash and investments (Note 2)	$ 546,488	$ 299,179
Accrued interest receivable	-	1,465
Property taxes receivable	-	584
Accounts receivable – other	18,300	6,670
Prepaid items	9,971	9,910
Total current assets	574,759	317,808
Non-current assets:		
Restricted – cash and investments (Note 2 and 3)	203,665	232,392
Capital assets – not being depreciated (Note 4)	221,993	216,778
Capital assets, net – being depreciated (Note 4)	2,019,957	2,177,177
Total non-current assets	2,445,615	2,626,347
Total assets	3,020,374	2,944,155
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to net pension liability (Note 7)	139,801	116,478
Total deferred outflows of resources	139,801	116,478
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	48,854	35,649
Accrued payroll and related liabilities	27,107	24,987
Unearned revenue	1,000	1,000
Accrued interest payable	7,218	7,640
Long-term liabilities – due within one year:		
Compensated absences (Note 5)	19,836	12,433
Loan payable (Note 6)	32,636	31,617
Total current liabilities	136,651	113,326
Noncurrent liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (Note 5)	19,836	18,649
Loan payable (Note 6)	508,744	541,380
Net pension liability (Note 7)	221,512	177,761
Total noncurrent liabilities	750,092	737,790
Total liabilities	886,743	851,116
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to net pension liability (Note 7)	66,680	87,321
Total deferred inflows of resources	66,680	87,321
NET POSITION		
Net investment in capital assets (Note 8)	1,904,235	2,053,350
Unrestricted	302,517	68,846
Total net position	$ 2,206,752	$ 2,122,196

See accompanying Notes to the Basic Financial Statements.

Tehachapi Valley Recreation and Park District
Statement of Activities
For the Year Ended June 30, 2018
(With Comparative Amounts For the Year Ended June 30, 2017)

	Governmental Activities	
	2018	2017
Expenses:		
Recreation and park services:		
Operations	$ 1,093,470	$ 983,203
Depreciation expense	188,884	166,237
Interest expense	17,799	16,359
Cost of debt issuance	-	20,250
Total expenses	1,300,153	1,186,049
Program revenues:		
Charges for services	328,575	233,081
Other reimbursements	2,010	1,324
Operating and capital grant contributions	102,581	194,900
Total program revenues	433,166	429,305
Net program expense	(866,987)	(756,744)
General revenues:		
Property taxes	883,592	870,099
Capital development fees	59,842	36,329
Insurance proceeds	-	82,554
Investment earnings	3,575	3,508
Gain on sale/trade in of asset	4,534	-
Total general revenues	951,543	992,490
Change in net position	84,556	235,746
Net position:		
Beginning of year	2,122,196	1,886,450
End of year	$ 2,206,752	$ 2,122,196

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, 2018

ASSETS	General Fund	Capital Projects Fund	Total Governmental Funds
Assets:			
Cash and investments	$ 480,774	$ 65,714	$ 546,488
Restricted – cash and investments	203,665	-	203,665
Accounts receivable – other	18,300	-	18,300
Prepaid items	9,971	-	9,971
Total assets	$ 712,710	$ 65,714	$ 778,424
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable and accrued expenses	$ 48,854	$ -	$ 48,854
Accrued payroll and related liabilities	27,107	-	27,107
Unearned revenue	1,000	-	1,000
Total liabilities	76,961	-	76,961
Fund balance: (Note 9)			
Nonspendable	9,971	-	9,971
Restricted	203,665	-	203,665
Committed		65,714	65,714
Assigned	39,672	-	39,672
Unassigned	382,441	-	382,441
Total fund balance	635,749	65,714	701,463
Total liabilities and fund balance	$ 712,710	$ 65,714	$ 778,424

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, 2018

Fund Balance of Governmental Funds	$ 701,463
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.	2,241,950
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.	139,801
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	(7,218)
Compensated absences	(39,672)
Loan payable	(541,380)
Net pension liability	(221,512)
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.	(66,680)
Total adjustments	1,505,289
Net Position of Governmental Activities	$ 2,206,752

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, 2018

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues:			
Property taxes	$ 883,592	$ -	$ 883,592
Charges for services	328,575	-	328,575
Other reimbursements	2,010	-	2,010
Operating and capital grant funding	102,581	-	102,581
Capital development fees	-	59,842	59,842
Investment earnings	3,375	200	3,575
Total revenues	1,320,133	60,042	1,380,175
Expenditures:			
Current operations:			
Salaries and wages	520,614	-	520,614
Employee benefits	154,094	-	154,094
Materials and services	411,316	-	411,316
Capital outlay	30,633	781	31,414
Debt service:			
Principal payments	31,617	-	31,617
Interest payments	18,221	-	18,221
Total expenditures	1,166,495	781	1,167,276
Net change in fund balance	153,638	59,261	212,899
Fund Balance:			
Beginning of year	482,111	6,453	488,564
End of year	$ 635,749	$ 65,714	$ 701,463

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, 2018

Net Change in Fund Balance – Governmental Funds	$ 212,899
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	31,414
Depreciation expense	(188,884)
The net effect on trade in and other disposal of capital assets.	5,465
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	422
Net change in compensated absences	(8,590)
Net change in net pension liability and related deferred resources	213
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.	31,617
Total adjustments	(128,343)
Change in Net Position of Governmental Activities	$ 84,556

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

The District's financial statements are prepared in conformity with U.S. GAAP. 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.

Government-Wide Financial Statements

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and liabilities, including capital assets, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function.

The types of transactions reported as program revenues for the District are to be reported in three categories, if applicable: 1) charges for services, 2) operating grants and contributions, and, 3) capital grants and contributions. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grant and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

In accordance with U.S. GAAP 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.

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

Basis of Accounting and Measurement Focus (Continued)

Fund Financial Statements

These statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. Incorporated into these statements is a schedule to reconcile and explain the differences in net position as presented in these statements to the net position presented in the Government-wide Financial Statements. The District has presented its General Fund, as its major fund, in this statement to meet the qualifications of U.S. GAAP.

Governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period.

Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60-days after year-end) are recognized when due. The primary sources susceptible to accrual for the District are property taxes and assessments, interest earnings, investment revenue and operating and capital grant revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, exceptions to this rule include principal and interest on debt, which are recognized when due.

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.

U.S. GAAP, 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, 2016
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

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 Kern 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 Kern County. Kern 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. At June 30, 2018, there is no restricted net position.

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 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	$ 546,488
Restricted – cash and investments	203,665
Total cash and investments	$ 750,153

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

Description	Balance
Cash on hand	$ 1,250
Demand deposits with financial institutions	84,896
Investments	664,007
Total cash and investments	$ 750,153

Demand Deposits

At June 30, 2018, the carrying amount of the District's demand deposits was $84,896 and the financial institution balance was $98,874. The $13,978 net difference as of June 30, 2018 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, 2018 none of the District's deposits and investments was exposed to custodial credit risk.

Investments

The District's investments as of June 30, 2018 were as follows:

Type of Investments	Measurement Focus	Credit Rating	June 30, 2018 Fair Value	Maturity 12 Months or Less
Kern County Treasury Investment Pool	Level 2	AAA-bf	$ 664,007	$ 664,007
Total investments			$ 664,007	$ 664,007

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

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.

Note 2 – Cash and Investments (Continued)

Investment with County of Kern Treasury Investment Pool (Continued)

The Kern County Treasurer has indicated to the District that as of June 30, 2018 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, 2018 was $664,007. KCTIP's fair value factor of 0.99864% as of June 30, 2018 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, 2018 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 $203,665 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, 2017	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2018
Non-depreciable capital assets:				
Land	$ 166,735	$ -	$ -	$ 166,735
Construction-in-process	50,044	5,214	-	55,258
Total non-depreciable capital assets	216,779	5,214	-	221,993
Depreciable capital assets:				
Buildings and improvements	3,574,058	16,056	-	3,590,114
Furniture and equipment	1,114,868	10,143	(2,772)	1,122,239
Vehicles	170,165	24,000	(32,056)	162,109
Total depreciable capital assets	4,859,091	50,199	(34,828)	4,874,462
Accumulated depreciation:				
Buildings and improvements	(2,075,812)	(78,319)	-	(2,154,131)
Furniture and equipment	(493,279)	(101,836)	2,772	(592,343)
Vehicles	(112,824)	(8,729)	13,522	(108,031)
Total accumulated depreciation	(2,681,915)	(188,884)	16,294	(2,854,505)
Total depreciable capital assets, net	2,177,176	(138,685)	(18,534)	2,019,957
Total capital assets, net	$ 2,393,955	$ (133,471)	$ (18,534)	$ 2,241,950

Note 5 – Compensated Absences

The changes to the compensated absences balance at June 30, 2018 were as follows:

Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Current	Non-current
$ 31,082	$ 8,590	$ -	$ 39,672	$ 19,836	$ 19,836

Note 6 – Long-term Debt

Changes in long-term debt amounts for the year ended June 30, 2018 were as follows:

Long-Term Debt	Balance July 1, 2017	Additions/ Adjustments	Payments/ Amortization	Balance June 30, 2018
Loan payable – 2016	$ 572,997	$ -	$ (31,617)	$ 541,380
Total long-term debt	$ 572,997	$ -	$ (31,617)	$ 541,380

Note 6 – Long-term Debt (Continued)

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
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	37,055	12,646	49,701
2024-2028	203,993	44,513	248,506
2029-2032	163,334	10,619	173,953
Total	541,380	$ 129,585	$ 670,965
Current	(32,636)		
Noncurrent	$ 508,744		

Note 7 – Net Pension Liability and Defined Benefit Pension Plan

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%	6.250%
Required employer contribution rates	7.200%	6.533%

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

General Information about the Pension Plans (Continued)

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, 2016 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, 2016 (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	2	8
Retired members and beneficiaries	6	-	6
Total plan members	14	10	24

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.

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

General Information about the Pension Plans (Continued)

Benefits Provided (Continued)

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 2%.

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, 2017 (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, 2018, the contributions made to the Plan were as follows:

	Miscellaneous Plans		
Contribution Type	Classic Tier 1	PEPRA Tier 2	Total
Contributions – employer	$ 23,184	$ 9,999	$ 33,183
Contributions – members	14,799	9,422	24,221
Total contributions	$ 37,983	$ 19,421	$ 57,404

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

Actuarial Methods and Assumptions Used to Determine the Total Pension Liability

For the measurement period ended June 30, 2017 (Measurement Date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2016 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	7.15%
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, 2016 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.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 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.*

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 (Continued)

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	47.00%	4.90%	5.71%
Global Fixed Income	19.00%	80.00%	2.43%
Inflation Sensitive	6.00%	60.00%	3.36%
Private Equity	12.00%	6.60%	6.95%
Real Estate	11.00%	2.80%	5.13%
Infrastructure and Forestland	3.00%	3.90%	5.09%
Liquidity	2.00%	-0.40%	-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+.

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 7.15%, 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 (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

	Plan's Net Pension Liability/(Asset)		
Plan Type	Discount Rate - 1% 6.15%	Current Discount Rate 7.150%	Discount Rate + 1% 8.15%
CalPERS – Miscellaneous Plan	$ 453,270	$ 221,512	$ 29,565

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.

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

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 Ne Pension Liability
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2016 (Measurement Date)	$ 1,560,673	$ 1,382,912	$ 177,761
Balance as of June 30, 2017 (Measurement Date)	$ 1,684,941	$ 1,463,429	$ 221,512
Change in Plan Net Pension Liability	$ 124,268	$ 80,517	$ 43,751

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, 2016). 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, 2017). 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, 2016 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2016-17 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).

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

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2018	Fiscal Year Ending June 30, 2017	Change Increase/ (Decrease)
Measurement Date	June 30, 2017	June 30, 2016	
Percentage of Risk Pool Net Pension Liability	0.005619%	0.005117%	0.000502%
Percentage of Plan (PERF C) Net Pension Liability	0.002234%	0.002054%	0.000180%

For the year ended June 30, 2018, the District recognized pension expense/(credit) in the amounts of $32,969 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.

The expected average remaining service lifetime (EARSL) for PERF C for the measurement date ending June 30, 2017 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.

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)

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2018, 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	$ 33,183	$ -
Difference between actual and proportionate share of employer contributions	-	32,276
Adjustment due to differences in proportions	19,841	20,925
Differences between expected and actual experience	567	-
Differences between projected and actual earnings on pension plan investments	15,901	8,118
Changes in assumptions	70,309	5,361
Total Deferred Outflows/(Inflows) of Resources	$ 139,801	$ 66,680

The District will recognize $33,183 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 of deferred outflows/(inflows) of resources

Amortization Period Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2019	$ (10,857)
2020	38,871
2021	21,364
2022	(9,440)
Total	$ 39,938

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	$ 203,665
Capital assets – not being depreciated	221,993
Capital assets, net – being depreciated	2,019,957
Loan payable – current	(32,636)
Loan payable – noncurrent	(508,744)
Total net investment in capital assets	$ 1,904,235

Note 9 – Fund Balance

A detailed schedule of fund balances and their funding composition at June 30, 2018 is as follows:

Description	General Fund	Capital Projects Fund	Total Governmental Funds
Nonspendable:			
Prepaid items	$ 9,971	$ -	$ 9,971
Restricted:			
Loan proceeds	203,665	-	203,665
Commited:			
Capital projects	-	65,714	65,714
Assigned:			
Compensated absences	39,672	-	39,672
Unassigned	382,441	-	382,441
Total fund balances	$ 635,749	$ 65,714	$ 701,463

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.

Note 10 – Deferred Compensation Savings Plan (Continued)

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 (UNAUDITED)

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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, 2018

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Property taxes	873,650	$ 883,592	$ 9,942
Charges for services	212,190	328,575	116,385
Other reimbursements	6,500	2,010	(4,490)
Operating and capital grant funding	54,000	102,581	48,581
Investment earnings	2,500	3,375	875
Total revenues	1,148,840	1,320,133	171,293
Expenditures:			
Current:			
Salaries and benefits	484,515	520,614	(36,099)
Employee benefits	174,875	154,094	20,781
Materials and services	367,542	411,316	(43,774)
Capital outlay	5,000	30,633	(25,633)
Debt service:			
Principal payments	31,617	31,617	-
Interest payments	18,085	18,221	(136)
Total expenditures	1,081,634	1,166,495	(84,861)
Excess of revenues over (under) expenditures	67,206	153,638	256,154
Net change in fund balance	$ 67,206	153,638	$ 256,154
Fund Balance:			
Beginning of year		482,111	
End of year		$ 635,749	

Tehachapi Valley Recreation and Park District
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule – Capital Projects Fund
For the Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Capital development fees	25,644	$ 59,842	$ 34,198
Investment earnings	-	200	200
Total revenues	25,644	60,042	34,398
Expenditures:			
Capital outlay	-	781	(781)
Total expenditures	-	781	(781)
Net change in fund balance	$ 25,644	59,261	$ 35,179
Fund balances:			
Beginning of year		6,453	
End of year		$ 65,714	

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, 2018

Last Three Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Measurement Date:	**June 30, 2017**[1]	**June 30, 2016**[1]	**June 30, 2015**[1]
District's Proportion of the Net Pension Liability	0.002234%	0.002054%	0.001101%
District's Proportionate Share of the Net Pension Liability	$ 221,512	$ 177,761	$ 75,553
District's Covered Payroll	$ 351,351	$ 506,758	$ 483,403
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	63.05%	35.08%	15.63%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	73.31%	74.06%	78.40%

[1] Historical information is presented 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, 2018

Last Three Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Fiscal Year:	**2017-18[1]**	**2016-17[1]**	**2015-16[1]**	**2014-15[1]**
Actuarially Determined Contribution[2]	$ 33,183	$ 30,756	$ 32,998	$ 22,517
Contribution in Relation to the Actuarially Determined Contribution[2]	(33,183)	(30,756)	(32,998)	(22,517)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 362,179	$ 351,351	$ 506,758	$ 483,403
Contributions as a Percentage of Covered Payroll	9.16%	8.75%	6.51%	4.66%

[1] Historical information is presented 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).