Tehachapi Valley Recreation and Park District

Tehachapi, California

Annual Financial Report

For the Year Ended June 30, 2016

THE PUN GROUP
ACCOUNTANTS & ADVISORS

Tehachapi Valley Recreation and Park District
Annual Financial Report
For the Year Ended June 30, 2016

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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, 2016, 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, 2016, 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
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Emphasis of Matter

Prior Period Adjustment

As part of our audit of the 2016 financial statements, we also audited the adjustments described in Note 7 that were applied to restate the District's June 30, 2015 net position and fund balance. In our opinion, such adjustments are appropriate and have been properly applied. Our opinion is not modified with respect to this matter.

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.

Other Reporting Required by *Government Auditing Standards*

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

The Pun Group, LLP

Santa Ana, California
June 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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 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 2016-01.

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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.

The Pun Group, LLP

Santa Ana, California
June 30. 2017

Finding 2016-01 – Prior Period Adjustments

Criteria:

Effective internal control over financial reporting provides reasonable assurance for the completeness and accuracy of accounting records and proper year-end closing.

Condition:

During the year ended June 30, 2016, the District recorded the following adjustments to beginning net position to adjust for differences in these account balances:

Prior period adjustments effecting net position:

Deferred outflows of resources amounts related to net pension liability	$ 42,831
Net pension liability	($233)
Deferred inflows of resources amounts related to net pension liability	($30,826)
Total	$ 11,772

Prior period adjustments effecting fund balance:

Accrued expenses	$ 15,348
Compensated absences	$ 29,482
Total	$ 44,830

Cause:

The District's GASB No. 68 calculation as well as other accrual transactions for the year ended June 30, 2015 were incorrectly calculated and adjusted on the financial statements by the prior year auditor.

Effect:

The District's beginning net position was understated by $11,772.

The District's beginning fund balance was understated by $44,830.

Recommendation:

District management should seek the opinion of a third-party professional to validate any disagreements in accounting valuations presented by the auditor so that disputes can be resolved prior to the financial statement issuance.

Management View and Corrective Action Plan:

Management agrees with the auditor's findings and will implement policies and procedures over its review of auditor proposed adjusting journal entries.

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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 Activities
For the Year Ended June 30, 2016

	Governmental Activities
Expenses:	
Recreation and park services:	
Operations	$ 998,108
Depreciation expense	112,095
Total expenses	1,110,203
Program revenues:	
Charges for services	189,719
Other reimbursements	13,759
Operating and capital grant funding	75,556
Total program revenues	279,034
Net program expense	(831,169)
General revenues:	
Property taxes	869,408
Capital development fees	55,562
Investment earnings	4,869
Total general revenues	929,839
Change in net position	98,670
Net position:	
Beginning of year	1,776,008
Prior period adjustment (Note 7)	11,772
End of year	$ 1,886,450

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, 2016

Net changes in fund balance of governmental funds	$ (147,492)
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	319,430
Depreciation expense	(112,095)
Changes in net pension obligation reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds.	40,754
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:	
Change in compensated absences	(1,927)
Total adjustments	246,162
Change in net position of governmental activities	$ 98,670

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
June 30, 2016

ASSETS	General Fund	Capital Projects Fund	Total Governmental Funds
Assets:			
Cash and investments	$ 478,621	$ 300,002	$ 778,623
Accrued interest receivable	815	615	1,430
Property taxes receivable	4,343	-	4,343
Accounts receivable ─ other	3,510	-	3,510
Prepaid items	14,289	-	14,289
Total assets	$ 501,578	$ 300,617	$ 802,195
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable and accrued expenses	$ 127,050	$ 80,855	$ 207,905
Accrued payroll and related liabilities	23,453	-	23,453
Unearned revenue	1,000	-	1,000
Total liabilities	151,503	80,855	232,358
Fund balance: (Note 6)			
Nonspendable	14,289	-	14,289
Committed	33,946	219,762	253,708
Assigned	31,409	-	31,409
Unassigned	270,431	-	270,431
Total fund balance	350,075	219,762	569,837
Total liabilities and fund balance	$ 501,578	$ 300,617	$ 802,195

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, 2016

Fund balance of governmental funds	$ 569,837
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.	1,496,059
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.	47,501
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Compensated absences	(31,409)
Net pension liability is not due and payable in the current period and therefore is not reported in the governmental funds.	(75,553)
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.	(119,985)
Total adjustments	1,316,613
Net position of governmental activities	$ 1,886,450

See accompanying Notes to the Basic Financial Statements.

Tehachapi Valley Recreation and Park District
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2016

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues:			
Property taxes	$ 869,408	$ -	$ 869,408
Charges for services	189,719	-	189,719
Other reimbursements	13,759	-	13,759
Operating grants and contributions	75,556	-	75,556
Capital development fees	-	55,562	55,562
Investment earnings	2,492	2,377	4,869
Total revenues	1,150,934	57,939	1,208,873
Expenditures:			
Current operations:			
Salaries and wages	498,615	-	498,615
Employee benefits	128,859	-	128,859
Materials and services	409,461	-	409,461
Capital outlay	194,093	125,337	319,430
Total expenditures	1,231,028	125,337	1,356,365
Change in fund balance	(80,094)	(67,398)	(147,492)
Fund Balance:			
Beginning of year	385,339	287,160	672,499
Prior period adjustment (Note 7)	44,830	-	44,830
End of year	$ 350,075	$ 219,762	$ 569,837

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, 2016

Net changes in fund balance of governmental funds	$ (147,492)
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	319,430
Depreciation expense	(112,095)
Changes in net pension obligation reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds.	40,754
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:	
Change in compensated absences	(1,927)
Total adjustments	246,162
Change in net position of governmental activities	$ 98,670

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 fair market 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, 2014
Measurement Date	June 30, 2015
Measurement Period	July 1, 2014 to June 30, 2015

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, 2016.

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)

Budgetary Data

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

1. Prior to the beginning of the fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means/methods of financing them.

2. A meeting of the Board of Directors is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must have been given.

3. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the Board of Directors.

Once a budget is approved, it can be amended only by approval of a majority of the members of the Board of Directors. As required by law, such amendments are made before the fact, reflected in the official minutes of the Board of Directors, and not made after fiscal year end. All budget appropriations lapse at year-end.

Accounting Changes

Statement No. 72, *Fair Value Measurement and Application*, which provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosure related to all fair value measurements. Application of this statement is effective for fiscal year ending June 30, 2016.

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). Application of this statement is effective for District's fiscal year ending June 30, 2016, except those provisions that address employers and governmental non-employer contributing entities that are not within the scope of GASB Statement 68, which are effective for financial statements for fiscal year ending June 30, 2017.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* This statement reduces the generally accepted accounting principles (GAAP) hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. Application of this statement is effective for fiscal year ending June 30, 2016.

Note 2 – Cash and Investments

Cash and investments as of June 30, 2016 consisted of the following:

Description		Balance
Cash on hand	$	1,100
Demand deposits with financial institutions		158,594
Investments		618,929
Total cash and investments	$	778,623

Demand Deposits

At June 30, 2016, the carrying amount of the District's demand deposits was $158,594 and the financial institution balance was $154,607. The $3,987 net difference 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.

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, 2016 none of the District's deposits or investments were exposed to disclosable custodial credit risk.

Note 2 – Cash and Investments (Continued)

Investments

Investments as of June 30, 2016 consisted of the following:

Investments	Measurement Input	Credit Rating	Fair Value June 30, 2016	Maturity 12 Months or Less
External Investment Pools:				
Kern County Treasury Investment Pool (KCTIP)	Level 2	AAAf/S1	$ 618,929	$ 618,929
Total investments			$ 618,929	$ 618,929

Investments Authorized by the California Government Code and District's Investment Policy

The District has adopted an investment policy which allows deposits into financial institutions and the Sonoma County Treasury's Pooled Investment Fund. Investment types are authorized by the California Government Code Section 53600 et seq. and Section 5922(d).

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. The June 30, 2016 balance of the Kern County Treasury Investment Pool was $3.0 billion. At June 30, 2016, the District had $618,929 invested in the Kern County Investment Pool.

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, 2016, the District's investment in the KCTIP was rated by Standard & Poor's as AAAf/S1 as noted in the table above.

Note 2 – Cash and Investments (Continued)

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 the KCTIP.

Note 3 – Capital Assets

Changes in capital assets for the year were as follows:

	Balance July 1, 2015	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2016
Non-depreciable capital assets:				
Land	$ 166,735	$ -	$ -	$ 166,735
Construction-in-process	281,750	119,278	-	401,028
Total non-depreciable capital assets	448,485	119,278	-	567,763
Depreciable capital assets:				
Buildings and improvements	2,724,285	117,804	-	2,842,089
Furniture and equipment	501,735	50,519	-	552,254
Vehicles	128,507	31,829	-	160,336
Total depreciable capital assets	3,354,527	200,152	-	3,554,679
Accumulated depreciation:				
Buildings and improvements	(1,986,142)	(66,761)	-	(2,052,903)
Furniture and equipment	(461,997)	(28,828)	-	(490,825)
Vehicles	(66,149)	(16,506)	-	(82,655)
Total accumulated depreciation	(2,514,288)	(112,095)	-	(2,626,383)
Total depreciable capital assets, net	840,239	88,057	-	928,296
Total capital assets, net	$ 1,288,724	$ 207,335	$ -	$ 1,496,059

Note 4 – Compensated Absences

The changes to the compensated absences balance at June 30, 2016 were as follows:

Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
$ 29,482	$ 22,003	$ (20,076)	$ 31,409

Note 5 – Net Pension Liability and Defined Benefit Pension Plan

Summary

Type of Account	Balance as of July 1, 2015 As Restated	Additions	Deletions	Balance as of June 30, 2016
Deferred Outflows of Resources:				
Pension contributions made after the measurement date:				
CalPERS – Miscellaneous Plan	$ 22,517	$ 32,998	$ (22,517)	$ 32,998
Adjustment due to differences in proportions:				
CalPERS – Miscellaneous Plan	20,314	-	(7,255)	13,059
Differences between expected and actual experience:				
CalPERS – Miscellaneous Plan	-	1,959	(515)	1,444
Total deferred outflows of resources	$ 42,831	$ 34,957	$ (30,287)	$ 47,501
Net Pension Liability:				
CalPERS – Miscellaneous Plan	$ 118,719	$ (20,649)	$ (22,517)	$ 75,553
Deferred Inflows of Resources:				
Differences between projected and actual earnings on pension plan investments:				
CalPERS – Miscellaneous Plan	$ 87,422	$ -	$ (80,578)	$ 6,844
Difference between actual and proportionate share of employer contributions:				
CalPERS – Miscellaneous Plan	10,133	26,782	(10,667)	26,248
Adjustment due to differences in proportions:				
CalPERS – Miscellaneous Plan	-	99,396	(26,157)	73,239
Changes in assumptions:				
CalPERS – Miscellaneous Plan	-	18,530	(4,876)	13,654
Total deferred inflows of resources	$ 97,555	$ 144,708	$ (122,278)	$ 119,985

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	6.709%	6.237%

Note 5 – 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, 2014 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, 2014 (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 5 – 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 3%.

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, 2015 (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, 2016, the contributions made to the Plan were as follows:

	Miscellaneous Plans		
Contribution Type	Classic Tier 1	PEPRA Tier 2	Total
Contributions – employer	$ 11,717	$ 21,281	$ 32,998
Contributions – members	4,425	21,284	25,709
Total contributions	$ 16,142	$ 42,565	$ 58,707

Note 5 – 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, 2015 (Measurement Date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. Both the June 30, 2014 and 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
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.
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, 2014 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 5 – 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	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-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 5 – 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	$ 279,935	$ 75,553	$ (93,189)

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, 2014 (Valuation Date)	$ 1,391,442	$ 1,272,723	$ 118,719
Balance as of June 30, 2015 (Measurement Date)	$ 1,500,755	$ 1,425,202	$ 75,553
Change in Plan Net Pension Liability	$ 109,313	$ 152,479	$ (43,166)

Note 5 – 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, 2014). 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, 2015). 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 (2014-15 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, 2016	Fiscal Year Ending June 30, 2015	Change Increase/ (Decrease)
Measurement Date	June 30, 2015	June 30, 2014	
Percentage of Risk Pool Net Pension Liability	0.002750%	0.004804%	-0.002054%
Percentage of Plan (PERF C) Net Pension Liability	0.001101%	0.001908%	-0.000807%

For the year ended June 30, 2016, the District recognized pension expense/(credit) in the amounts of $7,592 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 5 – 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) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the 2014-15 measurement period is 3.8 years, which was obtained by dividing the total service years of 460,700 (the sum of remaining service lifetimes of the active employees) by 122,789 (the total number of participants: active, inactive, and retired).

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2016, 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	$ 32,998	$ -
Difference between actual and proportionate share of employer contributions	-	26,248
Adjustment due to differences in proportions	13,059	73,239
Differences between expected and actual experience	1,444	-
Differences between projected and actual earnings on pension plan investments	-	6,844
Changes in assumptions	-	13,654
Total Deferred Outflows/(Inflows) of Resources	$ 47,501	$ 119,985

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, 2017, 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 of Resources	Deferred Inflows of Resources
2017	$ 7,770	$ 46,898
2018	6,319	46,173
2019	414	35,664
2020	-	(8,750)
Total	$ 14,503	$ 119,985

Note 6 – Fund Balance

A detailed schedule of fund balances and their funding composition at June 30, 2016 is as follows:

Description	General Fund	Capital Projects Fund	Total Governmental Funds
Nonspendable:			
Prepaid items	$ 14,289	$ -	$ 14,289
Commited:			
Capital projects	33,946	219,762	253,708
Assigned:			
Compensated absences	31,409	-	31,409
Unassigned	270,431	-	270,431
Total fund balances	$ 350,075	$ 219,762	$ 569,837

Note 7 – Prior Period Adjustment

Description	Balance
Beginning net position as of July 1, 2015 – as previously reported	$ 1,776,008
Deferred outflows of resources amounts related to net pension liability	42,831
Net pension liability	(233)
Deferred inflows of resources amounts related to net pension liability	(30,826)
Total prior period adjustment for GASB Nos. 68/71	11,772
Beginning net position as of July 1, 2015 – as restated	$ 1,787,780

As part of the implementation of GASB Statements No. 68 in the fiscal year ending June 30, 2015, the District miscalculated certain aspects of the net pension liability and deferred outflows/inflows of resources (See Note 5 for further information on the District's net pension liability).

Description	Balance
Beginning fund balance as of July 1, 2015 – as previously reported	$ 672,499
Accrued expenses	15,348
Compensated absences	29,482
Total prior period adjustment	44,830
Beginning fund balance as of July 1, 2015 – as restated	$ 717,329

As of the fiscal year ending June 30, 2015, certain accrued expenses and compensated absences were accrued for in the governmental fund financial statements. These long-term liabilities are not due and payable in the current period and therefore should not have been accrued for in the governmental funds.

Note 8 – 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 9 – 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 10 – 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.

REQUIRED SUPPLEMENTARY INFORMATION

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