

**TEHACHAPI VALLEY RECREATION AND
PARK DISTRICT
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
For the Fiscal Year Ended
June 30, 2019
(With Comparative Information as of June 30, 2018)**



TEHACHAPI VALLEY RECREATION AND PARK DISTRICT

For the Fiscal Year Ended June 30, 2019

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Financial Section

INDEPENDENT AUDITORS' REPORT

Board of Directors
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 as of and for the fiscal year ended June 30, 2019, 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.

Opinion

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 Tehachapi Valley Recreation and Park District, as of June 30, 2019, and the respective changes in financial position for the fiscal 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's discussion and analysis information on pages 3 through 9, budgetary comparison information on page 36, schedule of proportionate share of the net pension liability on page 37, and schedule of pension contributions on page 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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, 2018, from which such partial information was derived.



Murrieta, California
March 31, 2020

TEHACHAPI VALLEY RECREATION AND PARK DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

Management's Discussion and Analysis (MD&A) offers readers of Tehachapi Valley Recreation and Park District's financial statements a narrative overview of the District's financial activities for the fiscal year ended June 30, 2019. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of net position and results of operations, a current-to-prior year analysis, a discussion on restrictions, commitments and limitations, and a discussion of significant activity involving capital assets and long-term debt. Please read in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position decreased 0.59%, or (\$13,030) from the prior year's net position of \$2,206,751 to \$2,193,721, as a result of this year's operations.
- Total revenues from all sources increased by 9.76%, or \$146,647 from \$1,502,381 to \$1,649,028, from the prior year, primarily due to an increase in charges for services from the Gran Fondo and a decrease in grant revenue.
- Total expenses for the District's operations increased by 17.23% or \$244,232 from \$1,417,826 to \$1,662,058, from the prior year, primarily due to an increase in staffing and in program costs related to the Gran Fondo.

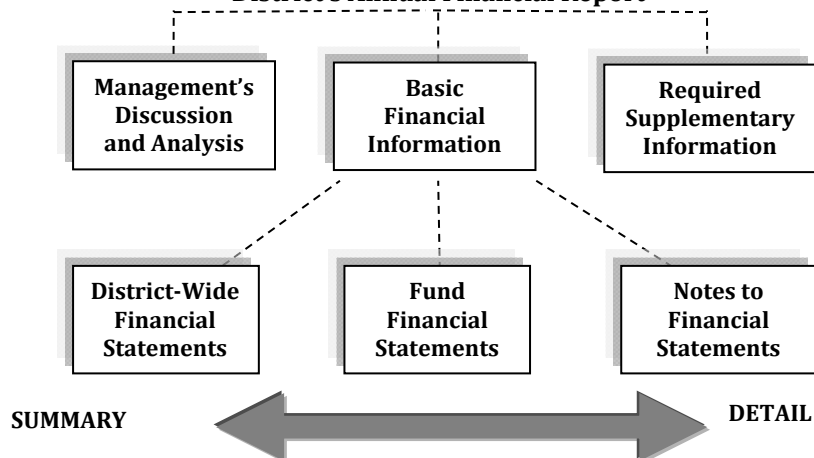
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- *District-wide financial statements* provide both short-term and long-term information about the District's overall financial status.
- *Fund financial statements* focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
 - The *governmental funds* statements tell how basic services were financed in the short term as well as what remains for future spending.

Figure A-1. Organization of Tehachapi Valley Recreation and Park District's Annual Financial Report

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



TEHACHAPI VALLEY RECREATION AND PARK DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2. Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-Wide	Governmental Fund
<i>Scope</i>	Entire District	The activities of the District that are not proprietary or fiduciary, such as fire and ambulance services
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

TEHACHAPI VALLEY RECREATION AND PARK DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

District-Wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of buildings and other facilities.
- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as weed abatement, landscape maintenance, and administration. State and local programs finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law and by grantor requirements.

The District has two funds, the General Fund and Capital Projects Fund.

TEHACHAPI VALLEY RECREATION AND PARK DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION

Analysis of Net Position

Table A-1: Condensed Statement of Net Position

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Change</u>
Assets:			
Current assets	\$ 708,032	\$ 574,759	\$ 133,273
Non-current assets	145,347	203,665	(58,318)
Capital assets, net	<u>2,105,165</u>	<u>2,241,950</u>	<u>(136,785)</u>
Total assets	<u>2,958,544</u>	<u>3,020,374</u>	<u>(61,830)</u>
Deferred outflows of resources	<u>121,254</u>	<u>139,801</u>	<u>(18,547)</u>
Liabilities:			
Current liabilities	141,844	136,652	5,192
Non-current liabilities	<u>701,491</u>	<u>750,092</u>	<u>(48,601)</u>
Total liabilities	<u>843,335</u>	<u>886,744</u>	<u>(43,409)</u>
Deferred inflows of resources	<u>42,742</u>	<u>66,680</u>	<u>(23,938)</u>
Net position:			
Net investment in capital assets	1,741,768	1,904,235	(162,467)
Unrestricted	<u>451,953</u>	<u>302,516</u>	<u>149,437</u>
Total net position	<u>\$ 2,193,721</u>	<u>\$ 2,206,751</u>	<u>\$ (13,030)</u>

At the end of fiscal year 2019, the District shows a positive balance in its unrestricted net position of \$451,953 that may be utilized in future years.

Analysis of Revenues and Expenses

Table A-2: Condensed Statement of Activities

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Change</u>
Program revenues	\$ 642,067	\$ 548,487	\$ 93,580
Expenses	<u>(1,662,058)</u>	<u>(1,417,826)</u>	<u>(244,232)</u>
Net program expense	<u>(1,019,991)</u>	<u>(869,339)</u>	<u>(150,652)</u>
General revenues	<u>1,006,961</u>	<u>953,894</u>	<u>53,067</u>
Change in net position	<u>(13,030)</u>	<u>84,555</u>	<u>(97,585)</u>
Net position - beginning of period	<u>2,206,751</u>	<u>2,122,196</u>	<u>84,555</u>
Net position - end of period	<u>\$ 2,193,721</u>	<u>\$ 2,206,751</u>	<u>\$ (13,030)</u>

TEHACHAPI VALLEY RECREATION AND PARK DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)

Analysis of Revenues and Expenses (continued)

The statement of activities shows how the government's net position changed during the fiscal year. In the case of the District, the operations of the District decreased by (\$13,030) during the fiscal year ended June 30, 2019.

Table A-3: Total Revenues

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Increase (Decrease)</u>
Program revenues:			
Charges for services	\$ 592,805	\$ 440,741	\$ 152,064
Grant revenue	49,262	107,746	(58,484)
Total program revenues	<u>642,067</u>	<u>548,487</u>	<u>93,580</u>
General revenues:			
Property taxes	891,929	883,592	8,337
Capital development fees	89,747	59,842	29,905
Insurance proceeds	12,498	-	12,498
Investment earnings	9,452	3,575	5,877
Other revenue	3,335	2,351	984
Gain on sale of capital asset	-	4,534	(4,534)
Total general revenues	<u>1,006,961</u>	<u>953,894</u>	<u>53,067</u>
Total revenues	<u>\$ 1,649,028</u>	<u>\$ 1,502,381</u>	<u>\$ 146,647</u>

Total revenues from all sources increased by 9.76%, or \$146,647 from \$1,502,381 to \$1,649,028, from the prior year, primarily due to an increase in charges for services from the Gran Fondo and a decrease in grant revenue.

Table A-4: Total Expenses

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Increase (Decrease)</u>
Expenses:			
Salaries and wages	\$ 637,889	\$ 578,349	\$ 59,540
Employee benefits	111,657	104,737	6,920
Program costs	243,822	126,646	117,176
Materials and services	462,499	401,411	61,088
Depreciation expense	189,496	188,884	612
Interest expense	16,695	17,799	(1,104)
Total expenses	<u>\$ 1,662,058</u>	<u>\$ 1,417,826</u>	<u>\$ 244,232</u>

Total expenses for the District's operations increased by 17.23% or \$244,232 from \$1,417,826 to \$1,662,058, from the prior year, primarily due to an increase in staffing and in program costs related to the Gran Fondo.

TEHACHAPI VALLEY RECREATION AND PARK DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, the *unreserved fund balance* may serve as a useful measure of the government's net resources for spending at the end of the fiscal year.

As of June 30, 2019, the District reported a total fund balance of \$771,146. An amount of \$443,404 constitutes the District's *unassigned fund balance*, which is available for future expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final budgeted expenditures for the District at year-end were \$46,606 more than actual. The variance is principally due to over-budgeting for capital outlay expenditures. Actual revenues were greater than the anticipated budget by \$85,250, primarily due to the Gran Fondo revenues exceeding budgeted expectations.

CAPITAL ASSET ADMINISTRATION

Table A-5: Capital Assets at Year End, Net of Depreciation

	Balance	Balance
	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Capital assets:		
Non-depreciable assets	\$ 167,605	\$ 221,993
Depreciable assets	4,980,171	4,874,462
Accumulated depreciation	<u>(3,042,611)</u>	<u>(2,854,505)</u>
Total capital assets, net	<u>\$ 2,105,165</u>	<u>\$ 2,241,950</u>

At the end of fiscal year 2019, the District's investment in capital assets amounted to \$2,105,165 (net of accumulated depreciation). This investment in capital assets includes structures, improvements and equipment. Major capital asset additions during the year include various ongoing structural improvements of \$8,390 and furniture and equipment totaling \$44,321.

See Note 4 for further information on the District's capital assets.

TEHACHAPI VALLEY RECREATION AND PARK DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

DEBT ADMINISTRATION

Table A-6: Long-term Debt

	Balance <u>June 30, 2019</u>	Balance <u>June 30, 2018</u>
Long-term debt:		
Loan payable	<u>\$ 508,744</u>	<u>\$ 541,380</u>

At the end of fiscal year 2019, the District's long-term debt amounted to \$508,744.

See Note 6 for further information on the District's long-term debt.

FACTORS AFFECTING CURRENT FINANCIAL POSITION

At the end of the first quarter of calendar year 2020, the United States and global economy suffered a major decline due to the impact of the COVID-19 virus. This economic decline may affect the District's operations and investment earnings for the remainder of calendar year 2020 and beyond. However, the potential impact to the District is unknown at this time.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The District's basic financial statements are designed to present users with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional information, please contact the District Manager at P.O. Box 373, Tehachapi, California 93581.

TEHACHAPI VALLEY RECREATION AND PARK DISTRICT

Statement of Net Position

June 30, 2019

(With Comparative Information as of June 30, 2018)

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
Current assets:		
Cash and investments (Note 2)	\$ 675,988	\$ 546,488
Accrued interest receivable	398	-
Property taxes receivable	5,124	-
Accounts receivable – other	11,000	18,300
Prepaid items	15,522	9,971
Total current assets	<u>708,032</u>	<u>574,759</u>
Non-current assets:		
Restricted – cash and investments (Notes 2 and 3)	145,347	203,665
Capital assets – not being depreciated (Note 4)	167,605	221,993
Capital assets, net – being depreciated (Note 4)	1,937,560	2,019,957
Total non-current assets	<u>2,250,512</u>	<u>2,445,615</u>
Total assets	<u>2,958,544</u>	<u>3,020,374</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred amounts related to net pension liability (Note 7)	121,254	139,801
Total deferred outflows of resources	<u>121,254</u>	<u>139,801</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable and accrued expenses	49,678	48,855
Accrued payroll and related liabilities	32,555	27,107
Unearned revenue	-	1,000
Accrued interest payable	6,783	7,218
Long-term liabilities – due within one year:		
Compensated absences (Note 5)	19,139	19,836
Loan payable (Note 6)	33,689	32,636
Total current liabilities	<u>141,844</u>	<u>136,652</u>
Noncurrent liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (Note 5)	19,139	19,836
Loan payable (Note 6)	475,055	508,744
Net pension liability (Note 7)	207,297	221,512
Total noncurrent liabilities	<u>701,491</u>	<u>750,092</u>
Total liabilities	<u>843,335</u>	<u>886,744</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred amounts related to net pension liability (Note 7)	42,742	66,680
Total deferred inflows of resources	<u>42,742</u>	<u>66,680</u>
<u>NET POSITION</u>		
Net investment in capital assets (Note 8)	1,741,768	1,904,235
Unrestricted	451,953	302,516
Total net position	<u>\$ 2,193,721</u>	<u>\$ 2,206,751</u>

TEHACHAPI VALLEY RECREATION AND PARK DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2019

(With Comparative Information for the Fiscal Year Ended June 30, 2018)

	Governmental Activities	
	2019	2018
Expenses:		
Recreation and park services:		
Salaries and wages	\$ 637,889	\$ 578,349
Employee benefits	111,657	104,737
Program costs	243,822	126,646
Materials and services	462,499	401,411
Depreciation expense	189,496	188,884
Interest expense	16,695	17,799
Total expenses	1,662,058	1,417,826
Program revenues:		
Charges for services	592,805	440,741
Operating and capital grant funding	49,262	107,746
Total program revenues	642,067	548,487
Net program expense	(1,019,991)	(869,339)
General revenues:		
Property taxes	891,929	883,592
Capital development fees	89,747	59,842
Insurance proceeds	12,498	-
Investment earnings	9,452	3,575
Other revenue	3,335	2,351
Gain on sale of capital asset	-	4,534
Total general revenues	1,006,961	953,894
Change in net position	(13,030)	84,555
Net position:		
Beginning of year	2,206,751	2,122,196
End of year	\$ 2,193,721	\$ 2,206,751

TEHACHAPI VALLEY RECREATION AND PARK DISTRICT
Balance Sheet – Governmental Funds
June 30, 2019

<u>ASSETS</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and investments	\$ 548,006	\$ 127,982	\$ 675,988
Restricted – cash and investments	145,347	-	145,347
Accrued interest receivable	320	78	398
Property taxes receivable	5,124	-	5,124
Accounts receivable – other	11,000	-	11,000
Prepaid items	15,522	-	15,522
Total assets	\$ 725,319	\$ 128,060	\$ 853,379
 <u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Accounts payable and accrued expenses	\$ 49,678	\$ -	\$ 49,678
Accrued payroll and related liabilities	32,555	-	32,555
Total liabilities	82,233	-	82,233
Fund balance: (Note 9)			
Nonspendable	15,522	-	15,522
Restricted	145,347	-	145,347
Committed	535	128,060	128,595
Assigned	38,278	-	38,278
Unassigned	443,404	-	443,404
Total fund balance	643,086	128,060	771,146
Total liabilities and fund balance	\$ 725,319	\$ 128,060	\$ 853,379

TEHACHAPI VALLEY RECREATION AND PARK DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2019

Fund Balance of Governmental Funds	<u>\$ 771,146</u>
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.	2,105,165
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.	121,254
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	(6,783)
Compensated absences	(38,278)
Loan payable	(508,744)
Net pension liability	(207,297)
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.	<u>(42,742)</u>
Total adjustments	<u>1,422,575</u>
Net Position of Governmental Activities	<u><u>\$ 2,193,721</u></u>

TEHACHAPI VALLEY RECREATION AND PARK DISTRICT*Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2019*

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues:			
Property taxes	\$ 891,929	\$ -	\$ 891,929
Charges for services	592,805	-	592,805
Operating grants and contributions	49,262	-	49,262
Capital development fees	-	89,747	89,747
Insurance proceeds	12,498	-	12,498
Investment earnings	8,261	1,191	9,452
Other revenue	3,335	-	3,335
Total revenues	1,558,090	90,938	1,649,028
Expenditures:			
Current operations:			
Salaries and wages	639,283	-	639,283
Employee benefits	131,263	-	131,263
Program costs	243,822	-	243,822
Materials and services	433,907	28,592	462,499
Capital outlay	52,711	-	52,711
Debt service:			
Principal payments	32,636	-	32,636
Interest payments	17,130	-	17,130
Total expenditures	1,550,752	28,592	1,579,344
Excess of revenues over (under) expenditures	7,338	62,346	69,684
Fund Balance:			
Beginning of year	635,748	65,714	701,462
End of year	\$ 643,086	\$ 128,060	\$ 771,146

TEHACHAPI VALLEY RECREATION AND PARK DISTRICT

*Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Statement of Activities*

For the Fiscal Year Ended June 30, 2019

Net Change in Fund Balance – Governmental Funds	<u>\$ 69,684</u>
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	52,711
Depreciation expense	(189,496)
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	435
Net change in compensated absences	1,394
Net change in net pension liability and related deferred resources	19,606
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.	<u>32,636</u>
Total adjustments	<u>(82,714)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (13,030)</u></u>

TEHACHAPI VALLEY RECREATION AND PARK DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Description of Organization

The Tehachapi Valley Recreation and Park District (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.

B. Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

The District has identified no organizations that are required to be reported as component units.

C. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the primary government (the District) and its component units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

TEHACHAPI VALLEY RECREATION AND PARK DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Major Governmental Funds

The District maintains the following major governmental funds:

General Fund: This fund is used to account for all financial resources of the District, except those required to be accounted for in another fund when necessary.

Capital Projects Fund: This 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.

2. Measurement Focus, Basis of Accounting

Government-Wide Financial Statements

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 at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements

Governmental funds 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. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

3. Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year. Generally, available is defined as collectible within 60 days.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

TEHACHAPI VALLEY RECREATION AND PARK DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

2. Prepaid Items

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

3. Investments

Investments are reported at fair value except for short-term investments, which are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value. Investments in governmental investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio.

In accordance with fair value measurements, the District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Financial assets and liabilities recorded on the balance sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The District has the ability to access the holding and quoted prices as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

TEHACHAPI VALLEY RECREATION AND PARK DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

4. Capital Assets

Capital assets are stated at cost or at their estimated fair value at date of donation. It is the District's policy to capitalize assets costing over \$3,000. The provision for depreciation is computed using the straight-line method over the estimated service lives of the capital assets.

Estimated service lives for the District's classes of assets are as follows:

Description	Estimated Lives
Buildings and improvements	5-30 years
Furniture and equipment	3-7 years
Vehicles	5 years

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The District has no items that qualify for reporting in this category.

6. Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated annual and vacation leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

7. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plan and addition to/deductions from the Plans fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

TEHACHAPI VALLEY RECREATION AND PARK DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

8. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

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

9. Fund Balances

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable: Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

Restricted: Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

Committed: The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

Assigned: Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

TEHACHAPI VALLEY RECREATION AND PARK DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

9. Fund Balances (continued)

Unassigned: Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

F. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1, each year. Secured property taxes are levied on July 1 and are payable in two installments, on December 10 and April 10. The County of Kern County Assessor's Office assesses all real and personal property within the County each year.

Property tax in California is levied in accordance with Article 13A of the State Constitution at one (1%) of countywide assessed valuations. The Kern County Treasurer's Office remits an undisclosed portion of the one (1%) current and delinquent property tax collections to the District throughout the year.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30 were classified on the statement of net position as follows:

Description	Balance
Cash and investments	\$ 675,988
Restricted cash and investments	145,347
Total cash and investments	\$ 821,335

Cash and investments at June 30 consisted of the following:

Description	Balance
Cash on hand	\$ 1,350
Demand deposits with financial institutions	182,504
Deposits with Kern County Treasury Investment Pool (KCTIP)	637,481
Total cash and investments	\$ 821,335

TEHACHAPI VALLEY RECREATION AND PARK DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 2 – CASH AND INVESTMENTS (continued)

Demand Deposits with Financial Institutions

At June 30, 2019, the carrying amount of the District's demand deposits were \$182,504, and the financial institution's balance was \$167,715. The net difference represents outstanding checks, deposits-in-transit and/or other reconciling items between the financial institution's balance and the District's balance for each year.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

Kern County Treasury Investment Pool (KCTIP)

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 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 Ave, Ste 2ND, Bakersfield, CA 93301 or the Treasurer's office website at www.kcttc.co.kern.ca.us.

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, 2019, the District's investment in the KCTIP was rated by Standard & Poor's as AAf/S1.

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.

TEHACHAPI VALLEY RECREATION AND PARK DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 3 – RESTRICTED ASSETS

The District's restricted assets are the remaining unspent loan proceeds of \$145,347 for capital improvements to the District's recreation and park facilities.

NOTE 4 – CAPITAL ASSETS

Changes in capital assets for the year were as follows:

	<u>Balance July 1, 2018</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2019</u>
Non-depreciable capital assets:				
Land	\$ 166,735	\$ -	\$ -	\$ 166,735
Construction-in-process	55,258	-	(54,388)	870
Total non-depreciable capital assets	<u>221,993</u>	<u>-</u>	<u>(54,388)</u>	<u>167,605</u>
Depreciable capital assets:				
Buildings and improvements	3,590,114	8,390	-	3,598,504
Furniture and equipment	1,122,239	98,709	(1,390)	1,219,558
Vehicles	162,109	-	-	162,109
Total depreciable capital assets	<u>4,874,462</u>	<u>107,099</u>	<u>(1,390)</u>	<u>4,980,171</u>
Accumulated depreciation:				
Buildings and improvements	(2,154,131)	(69,177)	-	(2,223,308)
Furniture and equipment	(592,343)	(107,412)	1,390	(698,365)
Vehicles	(108,031)	(12,907)	-	(120,938)
Total accumulated depreciation	<u>(2,854,505)</u>	<u>(189,496)</u>	<u>1,390</u>	<u>(3,042,611)</u>
Total depreciable capital assets, net	<u>2,019,957</u>	<u>(82,397)</u>	<u>-</u>	<u>1,937,560</u>
Total capital assets, net	<u>\$ 2,241,950</u>	<u>\$ (82,397)</u>	<u>\$ (54,388)</u>	<u>\$ 2,105,165</u>

NOTE 5 – COMPENSATED ABSENCES

The changes to the compensated absences balance for the year were as follows:

<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
\$ 39,672	\$ 37,709	\$ (39,103)	\$ 38,278	\$ 19,139	\$ 19,139

TEHACHAPI VALLEY RECREATION AND PARK DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 6 – LONG-TERM DEBT

Changes in long-term debt amounts for the year were as follows:

Long-term Debt	Balance July 1, 2018	Additions	Payments	Balance June 30, 2019	Current Portion	Long-term Portion
Loan payable	\$ 541,380	\$ -	\$ (32,636)	\$ 508,744	\$ 33,689	\$ 475,055

Loan Payable - 2016

On August 15, 2016, the District issued \$587,250 in a loan payable at 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 of each year. The debt matures in fiscal year 2032. Annual debt service requirements are as follows:

Fiscal Year	Principal	Interest	Total
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	38,250	11,451	49,701
2025-2029	210,573	37,933	248,506
2030-2032	118,504	5,422	123,926
Total	508,744	\$ 112,194	\$ 620,938
Current	(33,689)		
Long-term	\$ 475,055		

NOTE 7 – PENSION PLAN

Summary

The following balances on the balance sheet will be addressed in this footnote as follows:

Description	2019
Pension related deferred outflows	\$ 121,254
Net pension liability	207,297
Pension related deferred inflows	42,742

The net pension liability balances have a Measurement Date of June 30, 2018 which is rolled-forward for the District's fiscal year ended June 30, 2019.

Qualified employees are covered under a multiple-employer defined benefit pension plan maintained by agencies of the State of California known as the California Public Employees' Retirement System (CalPERS), or "The Plan".

TEHACHAPI VALLEY RECREATION AND PARK DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 7 – PENSION PLAN (continued)

The Plan

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 January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5-years of service	5-years of service
Benefits payments	monthly for life	monthly for life
Retirement age	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	1.8% to 2.0%	1.0% to 2.5%
Required member contribution rates	7.000%	6.750%
Required employer contribution rates – FY 2018	7.200%	6.533%

A. General Information about the Pension Plan

Plan Description, Benefits Provided and Employees Covered

The Plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS). The District contributes to the miscellaneous risk pool within the Plan. A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2017 Annual Actuarial Valuation Report. This report is a publicly available valuation report that can be obtained at CalPERS website under Forms and Publications.

The California Public Employees’ Pension Reform Act (PEPRA), which took effect in January 2013, changes the way CalPERS retirement benefits are applied, and places compensation limits on members. As a result of these changes since PEPRA’s adoption in January 2013, the District now has two unique CalPERS plans to which it makes contributions within the miscellaneous risk pool: the “classic” plan, which includes covered employees who have established membership in a CalPERS plan prior to January 2013, as well as the “PEPRA/new” plan, which includes covered employees who have established membership in a CalPERS plan after January 2013. Each plan or membership contains unique benefits levels, which are enumerated in the June 30, 2018 Annual Actuarial Valuation Reports.

At June 30, 2019, the following members were covered by the benefit terms:

Plan Members	Miscellaneous Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Active members	5	7	12
Transferred and terminated members	6	8	14
Retired members and beneficiaries	6	-	6
Total plan members	17	15	32

TEHACHAPI VALLEY RECREATION AND PARK DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 7 – PENSION PLAN (continued)

A. General Information about the Pension Plan (continued)

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, 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 employees.

Contributions for the year ended June 30, 2019, (Measurement Date June 30, 2018) were as follows:

Contribution Type	Miscellaneous Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Contributions – employer	\$ 28,260	\$ 11,197	\$ 39,457
Contributions – members	16,402	9,889	26,291
Total contributions	\$ 44,662	\$ 21,086	\$ 65,748

Employer contributions rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

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:

Changes in the net pension liability for the year ended June 30, 2019, were as follows:

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, 2017 (Measurement Date)	\$ 1,684,941	\$ 1,463,429	\$ 221,512
Balance as of June 30, 2018 (Measurement Date)	\$ 1,758,369	\$ 1,551,072	\$ 207,297
Change in Plan Net Pension Liability	\$ 73,428	\$ 87,643	\$ (14,215)

For the year ended June 30, 2019 pension expense was \$19,849.

TEHACHAPI VALLEY RECREATION AND PARK DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 7 – PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (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 dates (June 30, 2017 and 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, 2018). 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, 2018 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (FY 2017-2018).
- (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).

As of June 30, 2019, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$207,297.

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2018, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

TEHACHAPI VALLEY RECREATION AND PARK DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 7 – PENSION PLAN (continued)

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

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

The District's proportionate share of the net pension liability for the June 30, 2019, measurement date was as follows:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2019	Fiscal Year Ending June 30, 2018	
Measurement Date	<u>June 30, 2018</u>	<u>June 30, 2017</u>	
Percentage of Risk Pool Net Pension Liability	0.002151%	0.002234%	-0.000083%
Percentage of Plan (PERF C) Net Pension Liability	0.000082%	0.000179%	-0.000097%

The total amount of \$39,457 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. At June 30, 2019, 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	\$ 39,457	\$ -
Difference between actual and proportionate share of employer contributions	-	(34,243)
Adjustment due to differences in proportions	49,186	-
Differences between expected and actual experience	7,954	(2,707)
Differences between projected and actual earnings on pension plan investments	1,025	-
Changes in assumptions	23,632	(5,792)
Total Deferred Outflows/(Inflows) of Resources	<u>\$ 121,254</u>	<u>\$ (42,742)</u>

TEHACHAPI VALLEY RECREATION AND PARK DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 7 – PENSION PLAN (continued)

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

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

Other remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions for the year ended June 30, 2019, will be amortized to pension expense in future periods as follows:

<u>Amortization Period</u> <u>Fiscal Year Ended June 30</u>	<u>Deferred</u> <u>Outflows/(Inflows)</u> <u>of Resources</u>
2020	\$ 25,481
2021	15,795
2022	(356)
2023	(1,865)
Total	\$ 39,055

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2018 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2017 total pension liability. The June 30, 2019 total pension liability was 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

Discount Rate

The discount rate used to measure the total pension liability for PERF B was 7.15%. A projection of expected benefit payments and contributions was performed to determine if the assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF B. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained on CalPERS' website.

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.

TEHACHAPI VALLEY RECREATION AND PARK DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 7 – PENSION PLAN (continued)

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

<u>Investment Type</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10¹</u>	<u>Real Return Years 11+²</u>
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	0.90%
	<u>100.0%</u>		

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 Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what the net pension liability/(asset) 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:

Changes in the discount rate for the year ended June 30, 2019, was as follows:

<u>Plan Type</u>	<u>Plan's Net Pension Liability/(Asset)</u>		
	<u>Discount Rate - 1% 6.15%</u>	<u>Current Discount Rate 7.15%</u>	<u>Discount Rate + 1% 8.15%</u>
CalPERS – Miscellaneous Plan	<u>\$ 445,153</u>	<u>\$ 207,297</u>	<u>\$ 10,950</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension 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.

C. Payable to the Pension Plans

At June 30, 2019, the District reported no payables for outstanding contributions to the CalPERS pension plan required for the year ended June 30, 2019.

TEHACHAPI VALLEY RECREATION AND PARK DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 8 – NET POSITION – NET INVESTMENT IN CAPITAL ASSETS

At June 30, the net position – net investment in capital assets balance was calculated as follows:

<u>Description</u>	<u>Balance</u>
Restricted – cash and investments – loan proceeds	\$ 145,347
Capital assets – not being depreciated	167,605
Capital assets – being depreciated, net	1,937,560
Capital lease – current portion	(33,689)
Capital lease – non-current portion	(475,055)
Total net investment in capital assets	\$ 1,741,768

NOTE 9 – FUND BALANCES

At June 30, 2019, fund balances of the District’s governmental funds were classified as follows:

<u>Description</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Prepaid items	\$ 15,522	\$ -	\$ 15,522
Restricted:			
Loan proceeds for capital improvements	145,347	-	145,347
Committed:			
Capital projects	535	128,060	128,595
Assigned:			
Compensated absences	38,278	-	38,278
Unassigned	443,404	-	443,404
Total fund balances	\$ 643,086	\$ 128,060	\$ 771,146

NOTE 10 – DEFERRED COMPENSATION SAVINGS PLAN

For the benefit of its employees, the District participates in an IRS Code Section 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.

TEHACHAPI VALLEY RECREATION AND PARK DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 10 – DEFERRED COMPENSATION SAVINGS PLAN (continued)

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 statement of net position.

NOTE 11 – JOINT VENTURE

The District is a member of The California Association for Park and Recreation Indemnity (CAPRI) is a Joint Powers Authority which provides insurance coverages, risk management, safety and loss prevention services through a financially sound risk-sharing pool. The original pool was created in 1986 while the current organization is the result of the merger on July 1, 2008 between California Association for Park and Recreation Insurance and Park and Recreation District Employee Compensation (PARDEC).

CAPRI’s membership consists of various recreation and park districts in California. Through its various programs, members are able to pool member contributions and to realize the advantages of self-insurance. It provides coverage for property, general liability, workers’ compensation, public officials and employee liability, automobile liability, and other minor coverages. CAPRI is under the control and direction of the Board of Directors consisting of representatives of the member districts.

Each member agency pays a contribution commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the joint-powers authority. Full financial statements are available separately from the California Association for Park and Recreation Indemnity at 6341 Auburn Blvd., Suite A, Citrus Heights, California 95621. Condensed information for CAPRI is as follows:

A. Entity	CAPRI
B. Purpose	To pool member contributions and realize the advantages of self-insurance
C. Participants	As of June 30, 2018 – 58 member districts
D. Governing board	Seven representatives employed by members
E. District payments for FY 2019:	
Property/Liability policy	\$22,774
Workers' compensation policy	\$37,686

TEHACHAPI VALLEY RECREATION AND PARK DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 11 – JOINT VENTURE (continued)

F. Condensed financial information	June 30, 2018	
Audit signed	April 23, 2019	
Statement of financial position:		June 30, 2018
Total assets		<u>\$ 23,722,024</u>
Deferred outflows		<u>212,538</u>
Total liabilities		<u>17,414,153</u>
Deferred inflows		<u>49,737</u>
Net position		<u><u>\$ 6,470,672</u></u>
Statement of revenues, expenses and changes in net position:		
Total revenues		\$ 9,300,872
Total expenses		<u>(8,664,499)</u>
Change in net position		636,373
Beginning – net position		<u>5,834,299</u>
Ending – net position		<u><u>\$ 6,470,672</u></u>
G. Member agencies share of year-end financial position		Not Calculated

NOTE 12 – RISK MANAGEMENT

California Association for Park and Recreation Indemnity (CAPRI)

Property/Liability Program

The Property/Liability Program was established for the purpose of operating and maintaining a self-insurance or group insurance program. Under this program, CAPRI provides its member districts the following coverage:

A. Property (Building and Content) / Boiler and Machinery

The program provides an all-risk replacement cost coverage, subject to a \$2,000 deductible for each loss at member level, a \$150,000 deductible at the pool level, and an aggregate limit of \$650,000. The earthquake and flood coverage has a \$5,000,000 and \$10,000,000 aggregate limit, respectively, subject to a deductible of 5% per occurrence of the building, contents, and/or structure damaged subject to a minimum of \$50,000 for earthquake and \$20,000 for flood. The program also provides coverage for sudden and accidental breakdown of boiler and machinery replacement cost coverage, subject to a \$2,000 deductible for member level, and \$150,000 at the pool level.

In excess of the above coverages, CAPRI provides a group purchased commercial insurance policy through the Public Entity Property Insurance Program (PEPIP) for all-risk replacement cost coverage, subject to a self-insured retention (SIR) of \$150,000 beginning April 1, 2005 to present.

TEHACHAPI VALLEY RECREATION AND PARK DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 12 – RISK MANAGEMENT

California Association for Park and Recreation Indemnity (CAPRI) (continued)

Property/Liability Program (continued)

B. General Liability and Public Officials and Employment Practices Liability

CAPRI provides comprehensive coverage with a limit of \$25,000,000 per occurrence for personal injury or property damage and a limit of \$25,000,000 annual aggregate per member district for errors and omissions of public officials. CAPRI self-funds coverage up to \$1,000,000. CSAC Excess Insurance Authority (CSAC-EIA) provides \$24,000,000 of coverage over self-insured retention of \$1,000,000.

This Program also includes Employment Practices Liability which is subjected to a \$20,000 deductible. If the Member District consults with its general counsel and if such counsel has experience with labor and employment law, or with its labor and employment counsel, or CAPRI-recommended labor and employment counsel prior to termination, layoffs, downsizing or other employment related matter, the deductible will be reduced to \$5,000 for any employment liability lawsuit brought by that employee.

Workers' Compensation Program

This program provides coverage to its members of up to statutory limits per occurrence, including volunteer operations as long as each member has issued a resolution covering volunteers. CAPRI self-funds up to \$350,000; losses in excess of this amount are covered by CSAC-EIA up to the Statutory limit per occurrence. CAPRI also provides its members with proactive claim oversight by working closely our third-party claims administrator and the members.

The District maintains workers' compensation coverage and employer's liability coverage in accordance with the statutory requirements of the State of California.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years. There were no reductions in insurance coverage in fiscal year 2019, 2018, and 2017. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2019, 2018, and 2017.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Grant Awards

Grant funds received by the District are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

Litigation

The District is involved in routine litigation incidental to its business and may be subject to claims and litigation from outside parties. After consultation with legal counsel and/or management, management believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

TEHACHAPI VALLEY RECREATION AND PARK DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 14 - SUBSEQUENT EVENT

At the end of the first quarter of calendar year 2020, the United States and global economy suffered a major decline due to the impact of the COVID-19 virus. This economic decline may affect the District's operations and investment earnings for the remainder of calendar year 2020 and beyond. However, the potential impact to the District is unknown at this time.

Required Supplementary Information

TEHACHAPI VALLEY RECREATION AND PARK DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2019

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Property taxes	\$ 892,426	\$ 891,929	\$ (497)
Charges for services	469,742	592,805	123,063
Operating grants and contributions	107,800	49,262	(58,538)
Insurance proceeds	-	12,498	12,498
Investment earnings	2,872	8,261	5,389
Other revenues	-	3,335	3,335
Total revenues	<u>1,472,840</u>	<u>1,558,090</u>	<u>85,250</u>
Expenditures:			
Current:			
Salaries and wages	615,467	639,283	(23,816)
Employee benefits	124,064	131,263	(7,199)
Program costs	241,519	243,822	(2,303)
Materials and services	448,606	433,907	14,699
Capital outlay	100,000	52,711	47,289
Debt service:			
Principal	49,702	32,636	17,066
Interest	18,000	17,130	870
Total expenditures	<u>1,597,358</u>	<u>1,550,752</u>	<u>46,606</u>
Net change in fund balance	<u>\$ (124,518)</u>	<u>\$ 7,338</u>	<u>\$ 38,644</u>
Fund balance:			
Beginning of year		<u>635,748</u>	
End of year		<u>\$ 643,086</u>	

Notes to the Budgetary Comparison Schedule:

The District follows specific procedures in establishing the budgetary data reflected in the financial statements. Each year the District prepares and submits an operating budget to the Board of Trustees no later than June of each year. The basis used to prepare the budget does not differ substantially from the modified accrual basis of accounting. The adopted budget becomes operative on July 1. The Board of Trustees must approve all supplemental appropriations to the budget and transfers between major accounts.

TEHACHAPI VALLEY RECREATION AND PARK DISTRICT
Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2019

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Measurement Date:	June 30, 2018¹	June 30, 2017¹	June 30, 2016¹	June 30, 2015¹	June 30, 2014¹
District's Proportion of the Net Pension Liability	<u>0.021510%</u>	<u>0.022340%</u>	<u>0.002054%</u>	<u>0.001101%</u>	<u>0.001908%</u>
District's Proportionate Share of the Net Pension Liability	<u>\$ 207,297</u>	<u>\$ 221,512</u>	<u>\$ 177,761</u>	<u>\$ 75,553</u>	<u>\$ 118,719</u>
District's Covered-Employee Payroll	<u>\$ 478,910</u>	<u>\$ 343,104</u>	<u>\$ 357,818</u>	<u>\$ 379,091</u>	<u>\$ 168,308</u>
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	<u>43.29%</u>	<u>64.56%</u>	<u>49.68%</u>	<u>19.93%</u>	<u>70.54%</u>
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	<u>88.21%</u>	<u>86.85%</u>	<u>88.61%</u>	<u>94.97%</u>	<u>91.47%</u>

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

TEHACHAPI VALLEY RECREATION AND PARK DISTRICT

Schedule of Pension Contributions

For the Fiscal Year Ended June 30, 2019

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Fiscal Year:	2018-19¹	2017-18¹	2016-17¹	2015-16¹	2014-15¹	2013-14¹
Actuarially Determined Contribution ²	\$ 39,457	\$ 33,183	\$ 30,756	\$ 32,998	\$ 22,517	\$ 20,666
Contribution in Relation to the Actuarially Determined Contribution ²	<u>(39,457)</u>	<u>(33,183)</u>	<u>(30,756)</u>	<u>(32,998)</u>	<u>(22,517)</u>	<u>(20,666)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll ³	<u>\$ 519,517</u>	<u>\$ 478,910</u>	<u>\$ 343,104</u>	<u>\$ 357,818</u>	<u>\$ 379,091</u>	<u>\$ 168,308</u>
Contributions as a Percentage of Covered-Employee Payroll	<u>7.59%</u>	<u>6.93%</u>	<u>8.96%</u>	<u>9.22%</u>	<u>5.94%</u>	<u>12.28%</u>

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

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

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

Notes to the Schedule:

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

TEHACHAPI VALLEY RECREATION AND PARK DISTRICT

Notes to the Required Supplementary Information

For the Fiscal Year Ended June 30, 2019

NOTES TO SCHEDULE

Budgetary Comparison Schedule

The District follows specific procedures in establishing the budgetary data reflected in the financial statements. Each year the District prepares and submits an operating budget to the Board of Directors no later than June of each year. The basis used to prepare the budget does not differ substantially from the modified accrual basis of accounting. The adopted budget becomes operative on July 1. The Board of Directors must approve all supplemental appropriations to the budget and transfers between major accounts.

Schedule of Proportionate Share of the Net Pension Liability

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- The proportion (percentage) of the collective net pension liability (similar to the note disclosure)
- The proportionate share (amount) of the collective net pension liability
- The employer's covered-employee payroll
- The proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll
- The pension plan's fiduciary net position as a percentage of the total pension liability

Schedule of Pension Contributions

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- If an employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements: the employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.