

**STRAWBERRY RECREATION DISTRICT**  
**MILL VALLEY, CALIFORNIA**

**BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2014**

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INDEPENDENT AUDITORS' REPORT

Board of Directors  
Strawberry Recreation District  
Mill Valley, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the major fund of Strawberry Recreation District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Strawberry Recreation 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 State Controller's Minimum Audit Requirements for California Special Districts. 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 our 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, we consider internal control relevant to Strawberry Recreation District'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 Strawberry Recreation District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Strawberry Recreation District, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-6 and page 23, as listed in the table of contents, 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.

*R. J. Ricciardi, Inc.*

R.J. Ricciardi, Inc.  
Certified Public Accountants

San Rafael, California  
August 25, 2015

Strawberry Recreation District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014

This section of Strawberry Recreation District's (the District's) basic financial statements presents management's overview and analysis of the financial activities of the organization for the fiscal year ended June 30, 2014. We encourage the reader to consider the information presented here in conjunction with the financial statements as a whole.

### **Introduction to the Basic Financial Statements**

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

The required financial statements include the Combined Government-wide and Fund Financial statements; Statement of Net Position and Governmental Fund Balance Sheet; Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Change in Fund Balance; and the Statement of Revenues, Expenditures and Change in Fund Balance-Budget and Actual.

These statements are supported by notes to the financial statements. All sections must be considered together to obtain a complete understanding of the financial picture of the District.

### **The Basic Financial Statements**

The basic financial statements comprise the Combined Government-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of the District's financial activities and financial position.

The Government-wide Financial Statements provide a longer-term view of the District's activities as a whole, and comprise the Statement of Net Position and the Statement of Activities. The Statement of Net Position provides information about the financial position of the District as a whole, including all of its capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations. The Statement of Activities provides information about all of the District's revenues and all of its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of the District's programs. The Statement of Activities explains in detail the change in Net Position for the year.

All of the District's activities are grouped into Government Activities, as explained below.

The Fund Financial Statements report the District's operations in more detail than the Government-wide statements and focus primarily on the short-term activities of the District's Major Funds. The Fund Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt and other long-term amounts.

Major Funds account for the major financial activities of the District and are presented individually. Major Funds are explained below.

### **The Government-wide Financial Statements**

Government-wide financial statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the District as a whole.

Strawberry Recreation District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
 June 30, 2014

The Statement of Net Position and the Statement of Activities present information about the following:

Governmental Activities – The District's basic services are considered to be governmental activities. These services are supported by specific program revenues from state and federal grants.

**Fund Financial Statements**

The Fund Financial Statements provide detailed information about each of the District's most significant funds, called Major Funds. The concept of Major Funds, and the determination of which are Major Funds, was established by GASB Statement No. 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, with all Non-major Funds summarized and presented only in a single column. Major Funds present the major activities of the District for the year, and may change from year to year as a result of changes in the pattern of the District's activities.

In the District's case, the General Fund is the only major governmental fund.

Governmental Fund Financial Statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements.

**Analyses of Major Funds**

Governmental Funds:

General Fund revenue increased \$269,462 this fiscal year due primarily to the increase in provided fee based services and facility use. Actual revenues were less than budgeted amounts by \$23,666. General Fund expenditures were \$1,589,977, a decrease of \$ 866,866 from the prior year, due to a decrease in capital improvements primarily related to aquatics programs.

Governmental Activities

Table 1  
Governmental Net Position at June 30

	2014	2013
Current assets	\$ 2,538,965	\$ 2,245,116
Capital assets	2,135,267	2,254,572
Total assets	4,674,232	4,499,688
Current liabilities	237,262	355,994
Long-term liabilities	1,096,251	945,000
Total liabilities	1,333,513	1,300,994
Net position		
Invested in capital assets, net of related debt	890,267	1,174,572
Restricted	1,065,268	919,210
Unrestricted	1,385,184	1,104,912
Total net position	\$ 3,340,719	\$ 3,198,694

Strawberry Recreation District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
 June 30, 2014

The District's governmental net position amounted to \$3,340,719 as of June 30, 2014, an increase of \$142,025 over 2013. This increase is the Change in Net Position reflected in the Governmental Activities column of the Statement of Activities shown in Table 2.

The District's net position as of June 30, 2014 comprised the following:

- Cash and investments of \$2,538,965 deposited with the County of Marin.
- Capital assets of \$2,135,267 net of depreciation charges, which includes all the District's capital assets used in governmental activities.
- Accounts payable of \$49,951, accrued liabilities of \$13,956, current bond principal of \$148,749, and accrued interest of \$24,606.
- Long-term debt of \$945,000.

Restricted net position totaling \$890,267 may only be used to construct specific capital projects and for debt service. The restrictions on these funds cannot be changed by the District.

Unrestricted net position is the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements or restrictions. The District has \$1,385,184 of unrestricted net position as of June 30, 2014.

The Statement of Activities presents program revenues and expenses and general revenues in detail. All of these are elements in the Changes in Governmental Net Position summarized below.

Table 2  
Changes in Governmental Net Position at June 30

	2014	2013
<u>Expenses</u>		
Recreation and parks	\$ 1,522,639	\$ 1,128,281
Interest on long-term debt	51,643	51,643
Total expenses	1,574,282	1,179,924
<u>Revenues</u>		
Program revenues:		
Intergovernmental	-	1,836
Charges for services	774,277	631,964
Total program revenues	774,277	633,800
General revenues:		
Taxes, licenses and permits	578,602	537,356
Zone IV and V	209,663	193,895
Interest earnings and use of property	153,765	81,794
Total general revenues	942,030	813,045
Total revenues	1,716,307	1,446,845
Change in net position	\$ 142,025	\$ 266,921

As Table 2 above shows, \$774,277 or 45% of the District's fiscal year 2014 governmental revenue, came from program revenues and \$942,030 or 55%, came from general revenues such as taxes and interest.

Strawberry Recreation District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
 June 30, 2014

Program revenues were composed of charges for services of \$774,277.

General revenues are not allocable to programs. General revenues are used to pay for the net cost of governmental programs and facility operations.

**Capital Assets**

At the end of fiscal year 2014, the cost of infrastructure and other capital assets recorded in the District's financial statements was as shown in Table 3 below:

Table 3  
Capital Assets at Year End

	Balance at June 30, 2014
<u>Governmental Activities</u>	
Land (not depreciated)	\$ 183,790
Structures and improvements	3,892,082
Dredging Zone IV	1,179,690
Less: accumulated depreciation	(3,120,295)
Governmental activity capital assets, net	\$ 2,135,267

Detail on capital assets, current year additions and construction in progress can be found in Note 5.

**Debt Administration**

The District made all scheduled repayments of existing debt. Each of the District's debt issues is discussed in detail in Note 4 to the financial statements. As of June 30, 2014, the District's debt comprised:

Table 4  
Outstanding Debt

	June 30, 2014
Government Activity Debt:	
2004 Series A General Obligation Bonds Zone IV	\$ 1,245,000
Total Governmental Activity Debt	\$ 1,245,000

**Economic Outlook and Major Initiatives**

Financial planning is based on specific assumptions from recent trends, State of California economic forecasts and historical growth patterns in the various communities served by the District.

The economic condition of the District as it appears on the balance sheet reflects financial stability and the potential for organizational growth. The District will continue to maintain a watchful eye over expenditures and remains committed to sound fiscal management practices to deliver the highest quality service to the citizens of the area.

**Contacting the District's Financial Management**

This comprehensive Annual Financial Report is intended to provide citizens, taxpayers, and creditors with a general overview of the District's finances. Questions about this report should be directed to Strawberry Recreation District, 118 East Strawberry Drive, Mill Valley, CA 94941.

Strawberry Recreation District  
STATEMENT OF NET POSITION

June 30, 2014

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and investments	\$ 1,473,697
Restricted cash and investments	1,065,268
Non-depreciable capital assets	183,790
Depreciable capital assets, net of accumulated depreciation	<u>1,951,477</u>
Total assets	<u>4,674,232</u>
 <u>LIABILITIES</u>	
Accounts payable	49,951
Accrued liabilities	13,956
Accrued interest	24,606
Non-current liabilities:	
Due within one year	148,749
Due in more than one year	<u>1,096,251</u>
Total liabilities	<u>1,333,513</u>
 <u>NET POSITION</u>	
Invested in capital assets, net of related debt	890,267
Restricted for:	
Debt service	<u>1,065,268</u>
Total restricted net position	<u>1,065,268</u>
Unrestricted net position	<u>1,385,184</u>
Total net position	<u>\$ 3,340,719</u>

The accompanying notes are an integral part of these financial statements.

Strawberry Recreation District  
STATEMENT OF ACTIVITIES  
For the year ended June 30, 2014

<u>Functions/Programs</u>	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Capital Grants & Contributions	Governmental Activities
Governmental activities:				
Recreation and parks	\$ 1,522,639	\$ 774,277	\$ -	\$ (748,362)
Zone IV interest on long-term debt	51,643	-	-	(51,643)
Total governmental activities:	\$ 1,574,282	\$ 774,277	\$ -	(800,005)

General revenues:	
Property taxes	292,983
Zone IV income	203,195
Zone V income	6,468
Education Revenue Augmentation Fund	148,671
Licenses and permits	136,948
Facility rental	151,554
Use of money / interest earnings	2,211
Total general revenues	942,030
Change in net position	142,025
Net position - beginning of period	3,198,694
Net position - end of period	\$ 3,340,719

The accompanying notes are an integral part of these financial statements.

Strawberry Recreation District  
BALANCE SHEET  
 GOVERNMENTAL FUND  
 June 30, 2014

	<u>General Fund</u>
<u>ASSETS</u>	
Assets:	
Cash and investments	\$ 1,473,697
Restricted cash and investments	1,065,268
Total assets	\$ 2,538,965
 <u>LIABILITIES AND EQUITY</u>	
Liabilities:	
Accounts payable	\$ 49,951
Accrued liabilities	13,956
Total liabilities	63,907
 Fund equity:	
Fund Balance	
Assigned:	
Capital replacement	300,881
Debt service	1,065,268
Unassigned	1,108,909
Total fund balances	2,475,058
Total liabilities and fund equity	\$ 2,538,965

The accompanying notes are an integral part of these financial statements.

Strawberry Recreation District  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
WITH THE GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION  
 June 30, 2014

Total Governmental Funds fund balances	\$	2,475,058
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Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following:

Capital Assets

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.

2,135,267

Long-Term Liabilities

The liabilities below are not due and payable in the current period and therefore are not reported in the Fund Financial Statements.

Long-term debt - Zone IV

(1,245,000)

Accrued interest - Zone IV

(24,606)

Net Position of Governmental Activities

\$ 3,340,719

The accompanying notes are an integral part of these financial statements.

Strawberry Recreation District  
STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGE IN FUND BALANCE  
 GOVERNMENTAL FUND  
 For the year ended June 30, 2014

	General Fund
Revenues:	
Property taxes	\$ 292,983
Zone IV income	203,195
Zone V income	6,468
Licenses and permits	136,948
Charges for service	774,277
Education Revenue Augmentation Fund	148,671
Facility rental	151,554
Use of money	2,211
Total revenues	1,716,307
Expenditures:	
Administration	311,590
Youth programs	126,127
Adult programs	17,848
Aquatics	329,572
Tennis	1,894
Facilities	229,167
Special events	24,874
Zone V maintenance	6,468
Zone IV maintenance	191,711
Capital improvement projects	169,083
Debt service:	
Principal	130,000
Interest	51,643
Total expenditures	1,589,977
Excess (deficiency) of revenue over (under) expenditures	126,330
Other Financing Sources (Uses):	
Bond proceeds	300,000
Net change in Fund balance	426,330
Fund balance, beginning of period	2,048,728
Fund balance, end of period	\$ 2,475,058

The accompanying notes are an integral part of these financial statements.

Strawberry Recreation District  
RECONCILIATION OF THE NET CHANGE IN FUND BALANCE  
TOTAL GOVERNMENTAL FUND  
WITH THE CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES  
For the year ended June 30, 2014

The schedule below reconciles the Net Change in Fund Balance reported on the Governmental Fund Statement of Revenues, Expenditures and Change in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

<u>NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS</u>	\$	426,330
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Amounts reported for governmental activities in the Statement of Activities are different because:

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay		118,589
Depreciation expense is deducted from the fund balance		(237,894)

LONG-TERM DEBT PROCEEDS AND PAYMENT

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities:

Proceeds of new debt for Zone IV		(300,000)
Repayment of debt principal is added back to fund balance		<u>135,000</u>

<u>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</u>	\$	<u>142,025</u>
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The accompanying notes are an integral part of these financial statements.

Strawberry Recreation District  
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 - GENERAL

Strawberry Recreation District (the District) was formed on March 7, 1949, under the laws of the State of California Public Resources Code, Article 2, Chapter 3, Division 5, as a County Recreation District. In 1961 the District reorganized as a Park and Recreational District pursuant to the State of California Public Resources Code, Chapter 4, Division 5. The District is governed by a board of five elected directors.

The District offers a wide variety of recreational activities for persons of all ages, from pre-schoolers through senior citizens. Some of the major activities include: a wide range of aquatic programs, sports programs, special events, fitness classes, and special interest classes. The District also offers a summer camp with swim lessons.

To facilitate this wide range of recreational activities, the District has two ball fields, four tennis courts, a pool facility, spa, gymnasium, several small parks, and a dock on the Strawberry peninsula.

The District reporting entity includes all significant organizations, departments and agencies over which the Board of Directors exercises oversight and budgeting responsibilities. Oversight responsibility is determined on the basis of appointment or selection of the governing board, designation of management, ability to significantly influence operations, accountability for fiscal matters and the scope of public service.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying policies of the District conform to U.S. generally accepted accounting principles and are applicable to governments. The following is a summary of the significant policies:

A. Basis of Presentation

The District's basic financial statements are prepared in conformity with U.S. generally accepted accounting principles. 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 U.S.A.

These standards require that the financial statements described below be presented.

Government-wide 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 District government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities.

These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The District has no fiduciary or business-type activities.

Strawberry Recreation District  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation (concluded)

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and 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, (b) grants, sponsorships, donations and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, including fiduciary funds and blended component units. Separate statements for each fund category – *governmental* and *proprietary* are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

B. Major Funds

GASB Statement No. 34 defines major funds and requires that the District's major governmental funds be identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund-type.

Major funds are defined as funds that have assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total. The General Fund is always a major fund. The District may also select other funds it believes should be presented as major funds.

The District reported the following major governmental fund in the accompanying financial statements:

General Fund: This is used for all the general revenues of the District not specifically levied or collected for other District funds and the related expenditures. The General Fund accounts for all financial resources of a governmental unit that are not accounted for in another fund.

C. Basis of Accounting

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". The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. 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. General capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Strawberry Recreation District  
NOTES TO FINANCIAL STATEMENTS  
 June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting (concluded)

Those revenues susceptible to accrual are property taxes, certain other intergovernmental revenues, certain charges for services and interest revenue.

Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The District may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures. The District's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

Certain indirect costs are included in program expenses reported for individual functions and activities.

D. Budgets and Budgetary Accounting

Budgets are used to control spending. Unexpended allocations lapse at the end of each fiscal year and are not carried forward to the following period. Preliminary budgets are determined by the first day of July. A notice of this budget is published, and no less than one month thereafter, the District's Board of Directors approves the final budget. The final budget is reported by the tenth day of August.

The District's budget, as included in these financial statements, represents the budget approved by the Board of Directors. The adopted budget is made for the District as a whole. The District uses the same basis of accounting for budget and financial statement purposes. All appropriations lapse at year-end. The budget was not amended during the fiscal year. Expenditures were under appropriations by \$118,072 for the fiscal year ended June 30, 2014.

E. Property Taxes

Property Taxes are levied each November 1 on the assessed values as of the prior March 1. The County of Marin's property tax calendar is as follows:

	<u>Secured</u>	<u>Unsecured</u>
Valuation dates	March 1	March 1
Lien/levy dates	March 1	March 1
First installment due date	50% on November 1	July 1 (total due)
Delinquent as of	December 10	August 31
Second installment due date	50% on February 1	
Delinquent as of	April 10	

Strawberry Recreation District  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

F. Compensated Absences

Accumulated vacation benefits are recognized as a liability of the District. The liability is included in the General Fund. At June 30, 2014, the total accrued vacation subject to redemption amounted to approximately \$20,023.

G. Contingent Liabilities

The District is involved in various claims and litigation arising in the ordinary course of business. District management, based upon the opinion of legal counsel, is of the opinion that the ultimate resolution of such matters will not have a materially adverse effect on the District's financial position or results of operations.

H. Use of Estimates

The basic financial statements have been prepared in conformity with U.S. generally accepted accounting principles, and as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

NOTE 3 - CASH AND INVESTMENTS

Cash balances from all funds are combined and invested to the extent possible pursuant to the District Board approved Investment Policy and Guidelines and State Government Code.

Restricted and Designated Cash and Cash Equivalents:

The District segregates certain cash and cash equivalents that have legal or Board of Directors' designated restrictions as to their uses.

	2014
Zone IV debt and services and capital outlay	<u>\$ 1,065,210</u>

The District is required under the terms of certain long-term debt covenants to segregate and maintain certain funds for debt service. These funds were on deposit with the County of Marin investment pool.

County of Marin Investment Pool:

The District maintains specific cash deposits with the County of Marin (the County) and involuntarily participates in the external investment pool of the County. The balance deposited and invested with the County at June 30, 2014 was \$2,494,098. The County is restricted by state code in the types of investments it can make. Furthermore, the County Treasurer has a written investment policy, approved by the Board of Supervisors, which is more restrictive than state code as to terms of maturity and type of investment. Also, the County has an investment committee, which performs regulatory oversight for its pool as required by California Government Code Section 27134. The County's investment policy authorizes the County to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, certificates of deposit, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, and the State Treasurer's investment pool. At June 30, 2014, the District's cash with the County Treasurer is stated at fair value. However, the value of the pool shares in the County that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the District's position in the pool.

Strawberry Recreation District  
NOTES TO FINANCIAL STATEMENTS  
 June 30, 2014

NOTE 4 - LONG-TERM DEBT

The following is a summary of changes in general long-term liabilities during the years ended June 30:

	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014
2004 General Obligation Bonds				
Zone IV	\$ 1,080,000	\$ 300,000	\$ 135,000	\$ 1,245,000
Less: current maturities	(135,000)			(148,749)
Total long-term liabilities	<u>\$ 945,000</u>			<u>\$ 1,096,251</u>

On June 9, 2004, the District issued General Obligation Bonds in the principal amount of \$1,800,000 in 2004 Series A Bonds. The Bonds bear interest at 4.5% - 5.5% and are due semi-annually on February 1 and August 1. Principal payments are due annually on August 1, through 2019.

Proceeds from the sale of the Bonds were used for dredging the boundaries of Zone IV of the District.

Annual debt service obligations for the 2004 General Obligation Series A Bonds are as follows:

Year Ending June 30	Principal	Interest	Total
2015	\$ 140,000	\$ 43,440	\$ 183,440
2016	145,000	37,420	182,420
2017	155,000	30,968	185,968
2018	160,000	23,915	183,915
2019	170,000	16,475	186,475
2020	<u>175,000</u>	<u>8,400</u>	<u>183,400</u>
Totals	<u>\$ 945,000</u>	<u>\$ 160,618</u>	<u>\$ 1,105,618</u>

Year Ending June 30	Principal	Interest	Total
2015	\$ 22,124	\$ 13,304	\$ 35,428
2016	27,350	8,078	35,428
2017	28,171	7,257	35,428
2018	29,017	6,412	35,429
2019	29,887	5,540	35,427
2020	30,785	4,643	35,428
2021	31,710	3,719	35,429
2022	32,662	2,767	35,429
2023	33,642	1,786	35,428
2024	<u>34,652</u>	<u>776</u>	<u>35,428</u>
Totals	<u>\$ 300,000</u>	<u>\$ 54,282</u>	<u>\$ 354,282</u>

NOTE 5 - CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The District's policy is to capitalize all capital assets with costs exceeding a minimum threshold of \$5,000.

Strawberry Recreation District  
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 5 - CAPITAL ASSETS (concluded)

GASB Statement No. 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. Alternatively, the “modified approach” may be used for certain capital assets. Depreciation is not provided under this approach, but all expenditures on these assets are expensed, unless they are additions or improvements.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year’s pro-rata share of the cost of capital assets.

Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated.

The District has assigned the useful lives listed below to capital assets:

Buildings	30 years
Improvements	20 years
Machinery and Equipment	5-20 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014
Land (not depreciated)	\$ 183,790	\$ -	\$ -	\$ 183,790
Structures/improvements	3,812,800	79,282	-	3,892,082
Dredging Zone IV	1,140,383	39,307	-	1,179,690
Total	5,136,973	<u>\$ 118,589</u>	<u>\$ -</u>	5,255,562
Less: accumulated depreciation	(2,882,401)			(3,120,295)
Net capital assets	<u>\$ 2,254,572</u>			<u>\$ 2,135,267</u>

Depreciation Allocation

Depreciation expense is charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program are as follows:

Governmental Activities

Recreation and park	<u>\$ 237,894</u>
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NOTE 6 - DEFINED BENEFIT PENSION PLAN

Plan Description:

The District contributes to the California Public Employees’ Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS’ annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, CA 95814.

Strawberry Recreation District  
NOTES TO FINANCIAL STATEMENTS  
 June 30, 2014

NOTE 6 - DEFINED BENEFIT PENSION PLAN (continued)

Funding Policy:

Participants are required to contribute 7% of their annual covered salary. The District makes the contributions required of District employees on their behalf and for their account. The District is required to contribute at an actuarially determined rate; the current rate is 6.027%. The contribution requirements of plan members and the District are established, and may be amended by, PERS.

Annual Pension Cost:

For 2014, the District's annual pension cost of \$16,882 for PERS was equal to the District's required and actual contributions. The required contribution was determined as part of the June 30, 2010 actuarial valuation using the entry age normal actuarial cost method. A summary of principle assumptions and methods used to determine the Annual Required Contribution (ARC) is shown below.

Amortization Method	Level Percent of Payroll
Average Remaining Period	7 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increase	3.55% to 14.45% depending on age, service, and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.0% and an annual production growth of 0.25%

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into PERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling 30-year period. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period.

Three-Year Trend Information for PERS:

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/11	\$ 13,724	100 %	\$ -0 -
6/30/12	\$ 15,262	100 %	\$ -0 -
6/30/13	\$ 15,495	100 %	\$ -0 -

The Schedule of Funding Progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll.

Strawberry Recreation District  
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 6 - DEFINED BENEFIT PENSION PLAN (concluded)

Valuation Date	(A) Entry Age Normal Accrued Liability	(B) Actuarial Value of Assets	(C) Unfunded Liability/ (Excess Assets) [(A)-(B)]	(D) Funded Status [(B)/(A)]	(E) Annual Covered Payroll	(F) UAAL as a % of Payroll $\{[(A)-(B)]/(E)\}$
6/30/10	\$624,423,437	\$594,492,164	\$29,931,273	95.2%	\$186,777,830	16.0%
6/30/11	\$682,375,804	\$639,237,247	\$43,138,557	93.7%	\$193,877,169	22.3%
6/30/12	\$736,231,913	\$701,224,211	\$35,007,702	95.3%	\$208,517,122	16.8%

NOTE 7 - RISK MANAGEMENT

The District manages risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters by participating in the public entity risk pools described below and by retaining certain risks.

Public entity risk pools are formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, those entities exercise full powers and authorities within the scope of the related Joint Powers Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each risk pool is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective risk pool, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that board. Obligations and liabilities of these risk pools are not the District's responsibility.

California Association for Park and Recreation Insurance

The District is self-insured for Comprehensive Liability coverage as a member of the California Association for Park and Recreation Insurance (CAPRI). CAPRI is a public agency risk pool created pursuant to a joint powers agreement between the numerous member districts. CAPRI manages one pool for all member agencies. Each member pays an annual premium to the system based on numerous factors including the number of personnel, types and values of assets held, and an experience factor. CAPRI reinsures through a commercial carrier for claims in excess of \$1,000,000 for each insured event. CAPRI is not a component entity of the District for purposes of GASB Statement No. 14.

Coverage provided under CAPRI is as follows:

- Comprehensive General and Automobile Liability coverage with a \$25,000,000 limit per occurrence for personal injury and property damage to which the coverage applies. There is no deductible to the District.
- Public Officials and Employee Liability coverage with a \$25,000,000 annual aggregate limit per member district because of a wrongful act(s) that occurs during the coverage period for which the coverage applies. There is a \$20,000 deductible for any covered claim for employment practices liability payable by the District. If the District consults with its 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.

Strawberry Recreation District  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

NOTE 7 - RISK MANAGEMENT (concluded)

- Flood coverage with an annual aggregate of \$10,000,000 and Earthquake coverage with an annual aggregate limit of \$5,000,000 for all the member districts. The deductible for all loss or damage arising from the risks of flood and/or earthquake is \$50,000 per occurrence or 5% of the value of the building, contents, and/or structure damaged, whichever is greater. Property coverage is \$1,000,000,000 for each occurrence.

Financial statements for the risk pool may be obtained from CAPRI, 6341 Auburn Blvd., Suite A, Citrus Heights, CA 95621.

NOTE 8 - NET POSITION AND FUND BALANCES

GASB Statement No. 34 adds the concept of Net Position. The Statement of Net Position reports the difference between the District's total assets and the District's total liabilities, including all the District's long-term assets and debt. The Statement of Net Position presents similar information to the old balance sheet format, but presents it in a way that focuses the reader on the composition of the District's net position, by subtracting total liabilities from total assets.

The Statement of Net Position breaks out net position as follows:

*Restricted* describes the portion of net position that is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions that the District cannot unilaterally alter.

*Unrestricted* describes the portion of net position that is not restricted from use.

*Invested in Capital, net of related debt*, describes the portion of net position that is represented by the current net book value of the District's capital assets, less the outstanding balance of any debt issued to finance these assets.

Fund Equity

The accompanying financial statements reflect certain changes that have been made with respect to the reporting of the components of Fund Balances for governmental funds. In previous years, fund balances for governmental funds were reported in accordance with previous standards that included components for reserved fund balance, unreserved fund balance, designated fund balance, and undesignated fund balance. Due to the implementation of GASB Statement No. 54, the components of the fund balances of governmental funds now reflect the component classifications described below. In the fund financial statements, governmental fund balances are reported in the following classifications:

Nonspendable fund balance includes amounts that are not in a spendable form, such as prepaid items or supplies inventories, or that are legally or contractually required to remain intact, such as principal endowments.

Restricted fund balance includes amounts that are subject to externally enforceable legal restrictions imposed by outside parties (i.e., creditors, grantors, contributors) or that are imposed by law through constitutional provisions or enabling legislation.

Strawberry Recreation District  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

NOTE 8 - NET POSITION AND FUND BALANCES (concluded)

Committed fund balance includes amounts whose use is constrained by specific limitations that the government imposes upon itself, as determined by a formal action of the highest level of decision-making authority. The Board of Directors serves as the District's highest level of decision-making authority and has the authority to establish, modify or rescind a fund balance commitment via minutes action.

Assigned fund balance includes amounts intended to be used by the District for specific purposes, subject to change, as established either directly by the Board of Directors or by management officials to whom assignment authority has been delegated by the Board of Directors.

Unassigned fund balance is the residual classification that includes spendable amounts in the General Fund that are available for any purpose.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) fund balances are available, the District specifies that restricted revenues will be applied first. When expenditures are incurred for purposes for which committed, assigned or unassigned fund balances are available, the District's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

Strawberry Recreation District  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCE - BUDGET AND ACTUAL  
For the year ended June 30, 2014  
(UNAUDITED)

	General Fund		
	Original and Final Budget	Actual	Variance with Final Budget
Revenue:			
Property taxes	\$ 280,000	\$ 292,983	\$ 12,983
Zone IV & V income	490,711	209,663	(281,048)
Licenses and permits	130,000	136,948	6,948
Charges for service	571,625	774,277	202,652
Facility rental	143,837	151,554	7,717
Education Revenue Augmentation Fund	120,000	148,671	28,671
Use of money	3,800	2,211	(1,589)
Total revenue	<u>1,739,973</u>	<u>1,716,307</u>	<u>(23,666)</u>
Expenditures:			
Administration	249,445	311,590	(62,145)
Youth programs	149,540	126,127	23,413
Adult programs	18,100	17,848	252
Aquatics	270,425	329,572	(59,147)
Tennis programs	1,250	1,894	(644)
Facilities	177,065	229,167	(52,102)
Special events	15,600	24,874	(9,274)
Zone IV maintenance	520,300	191,711	328,589
Zone V maintenance	6,324	6,468	(144)
Capital improvement projects	118,357	169,083	(50,726)
Debt service:			
Principal	130,000	130,000	-
Interest	51,643	51,643	-
Total expenditures	<u>1,708,049</u>	<u>1,589,977</u>	<u>118,072</u>
Excess (deficiency) of revenue over (under) expenditures	<u>31,924</u>	<u>126,330</u>	<u>94,406</u>
Other Financing Sources (Uses):			
Bond proceeds	<u>-</u>	<u>300,000</u>	<u>300,000</u>
Net change in Fund balance	<u>\$ 31,924</u>	426,330	<u>\$ 394,406</u>
Fund balance, beginning of period		<u>2,048,728</u>	
Fund balance, end of period		<u>\$ 2,475,058</u>	