

STRAWBERRY RECREATION DISTRICT
MILL VALLEY, CALIFORNIA

BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

TABLE OF CONTENTS

| | <u>PAGE</u> |
|---|-------------|
| Independent Auditors' Report | 1-2 |
| Management's Discussion and Analysis | 3-6 |
| Basic Financial Statements | |
| Statement of Net Position | 7 |
| Statement of Activities | 8 |
| Governmental Fund - Balance Sheet | 9 |
| Reconciliation of the Governmental Fund Balance Sheet with the Governmental Activities Statement of Net Position | 10 |
| Governmental Fund - Statement of Revenues, Expenditures and Change in Fund Balance | 11 |
| Reconciliation of the Net Change in Fund Balance Total Governmental Fund with the Change in Net Position of Governmental Activities | 12 |
| Notes to Financial Statements | 13-25 |
| Required Supplementary Information | |
| Proportionate Share of Net Pension Liability (Asset) | 26 |
| Schedule of Contributions | 27 |
| Statement of Revenues, Expenditures and Change in Fund Balance - Budget and Actual | 28 |
| Statement of Revenues, Expenditures and Change in Fund Balance - Budget and Actual – Without Zone IV | 29 |

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, 2016, 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, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, net pension liability information, and budgetary comparison information on pages 3-6 and page 26-29, 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
July 31, 2017

Strawberry Recreation District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

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, 2016. 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, 2016

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 \$112,650 this fiscal year partly due to the revenues generated by the District pool. Part of the increase was related to an increase in property taxes and Zone IV Measure B tax. Actual revenues were greater than budgeted amounts by \$252,892. General Fund expenditures decreased \$229,284 from the prior year, due to a decrease in capital improvements related to Zone IV projects.

Governmental Activities

Table 1
Governmental Net Position at June 30

| | 2016 | 2015 |
|---|--------------|--------------|
| Current assets | \$ 2,523,034 | \$ 2,381,638 |
| Capital assets | 2,312,885 | 2,247,280 |
| Total assets | 4,835,919 | 4,628,918 |
| Deferred outflows of resources | 24,584 | 19,933 |
| Current liabilities | 294,850 | 293,683 |
| Long-term liabilities | 807,804 | 1,011,390 |
| Total liabilities | 1,102,654 | 1,305,073 |
| Deferred inflows of resources | 56,145 | 49,010 |
| Net position | | |
| Invested in capital assets, net of related debt | 1,388,583 | 1,151,029 |
| Restricted | 872,746 | 768,171 |
| Unrestricted | 1,440,375 | 1,375,568 |
| Total net position | \$ 3,701,704 | \$ 3,294,768 |

Strawberry Recreation District
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2016

The District's governmental net position amounted to \$3,701,704 as of June 30, 2016, an increase of \$406,936 from 2015. 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, 2016 comprised the following:

- Cash and investments of \$2,523,034 deposited with the County of Marin.
- Capital assets of \$2,312,885 net of depreciation charges, which includes all the District's capital assets used in governmental activities.
- Accounts payable of \$44,306, accrued liabilities of \$43,181, current bond principal of \$182,757, and accrued interest of \$24,606.
- Long-term debt of \$741,545 and net pension liability of \$66,259.

Restricted net position totaling \$872,746 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 \$1,440,375 of unrestricted net position as of June 30, 2016.

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

| | 2016 | 2015 |
|---------------------------------------|--------------|--------------|
| <u>Expenses</u> | | |
| Recreation and parks | \$ 1,702,063 | \$ 1,906,015 |
| Interest on long-term debt | 45,498 | 56,744 |
| Total expenses | 1,747,561 | 1,962,759 |
| <u>Revenues</u> | | |
| Program revenues: | | |
| Charges for services | 868,437 | 782,999 |
| Total program revenues | 868,437 | 782,999 |
| General revenues: | | |
| Taxes, licenses and permits | 639,429 | 599,425 |
| Zone IV and V | 452,558 | 497,885 |
| Interest earnings and use of property | 194,073 | 161,538 |
| Total general revenues | 1,286,060 | 1,258,848 |
| Total revenues | 2,154,497 | 2,041,847 |
| Change in net position | \$ 406,936 | \$ 79,088 |

As Table 2 above shows, \$868,437 or 40% of the District's fiscal year 2016 governmental revenue, came from program revenues and \$1,286,060 or 60%, came from general revenues such as taxes and interest.

Strawberry Recreation District
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2016

Program revenues were composed of charges for services of \$868,437. This is a portion of self-generated revenues which are not reported as general revenues in these basic financial statements.

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 2016, 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, 2016 |
|---|-----------------------------|
| <u>Governmental Activities</u> | |
| Land (not depreciated) | \$ 183,790 |
| Structures and improvements | 4,119,364 |
| Dredging Zone IV | 1,725,786 |
| Less: accumulated depreciation | (3,716,055) |
| Governmental activity capital assets, net | \$ 2,312,885 |

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, 2016, the District's debt comprised:

Table 4
Outstanding Debt

| | June 30, 2016 |
|--|---------------|
| Government Activity Debt: | |
| 2004 Series A General Obligation Bonds Zone IV | \$ 924,302 |
| Total Governmental Activity Debt | \$ 924,302 |

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. The District is making annual contributions in an effort to reduce the unfunded pension liability. The District only pays the employers' portion of the contribution and District employees pay their portion.

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, 2016

| | Governmental Activities |
|---|----------------------------|
| <u>ASSETS</u> | |
| Cash and investments | \$ 1,650,288 |
| Restricted cash and investments | 872,746 |
| Non-depreciable capital assets | 183,790 |
| Depreciable capital assets, net of accumulated depreciation | 2,129,095 |
| Total assets | 4,835,919 |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | |
| Deferred outflows of resources - pension | 24,584 |
| <u>LIABILITIES</u> | |
| Accounts payable | 44,306 |
| Accrued liabilities | 43,181 |
| Accrued interest | 24,606 |
| Non-current liabilities: | |
| Due within one year | 182,757 |
| Due in more than one year | 741,545 |
| Net pension liability | 66,259 |
| Total liabilities | 1,102,654 |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | |
| Deferred inflows of resources - pension | 56,145 |
| <u>NET POSITION</u> | |
| Invested in capital assets, net of related debt | 1,388,583 |
| Restricted for: | |
| Debt service | 872,746 |
| Total restricted net position | 872,746 |
| Unrestricted net position | 3,875,922 |
| Total net position | \$ 6,137,251 |

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

Strawberry Recreation District
STATEMENT OF ACTIVITIES
For the year ended June 30, 2016

| <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 | \$ 1,702,063 | \$ 868,437 | \$ - | \$ (833,626) |
| Zone IV interest on long-term debt | 45,498 | - | - | (45,498) |
| Total governmental activities: | \$ 1,747,561 | \$ 868,437 | \$ - | (879,124) |

General revenues:

| | |
|-------------------------------------|--------------|
| Property taxes | 372,583 |
| Zone IV income | 363,786 |
| Zone V income | 6,550 |
| Education Revenue Augmentation Fund | 126,316 |
| Licenses and permits | 140,530 |
| Facility rental | 191,147 |
| Use of money / interest earnings | 2,926 |
| Total general revenues | 1,203,838 |
| Change in net position | 324,714 |
| Net position - beginning of period | 3,294,768 |
| Net position - end of period | \$ 3,619,482 |

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

Strawberry Recreation District
BALANCE SHEET
 GOVERNMENTAL FUND
 June 30, 2016

| | <u>General Fund</u> |
|-----------------------------------|---------------------|
| <u>ASSETS</u> | |
| Assets: | |
| Cash and investments | \$ 1,650,288 |
| Restricted cash and investments | 872,746 |
| Total assets | \$ 2,523,034 |
| <u>LIABILITIES AND EQUITY</u> | |
| Liabilities: | |
| Accounts payable | \$ 44,306 |
| Accrued liabilities | 43,181 |
| Total liabilities | 87,487 |
| Fund equity: | |
| Fund Balance | |
| Assigned: | |
| Capital replacement | 302,078 |
| Debt service | 872,746 |
| Unassigned | 3,696,270 |
| Total fund balances | 4,871,094 |
| Total liabilities and fund equity | \$ 4,958,581 |

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, 2016

| | | |
|--|----|-----------|
| Total Governmental Funds fund balances | \$ | 4,871,094 |
|--|----|-----------|

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.

2,312,885

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 | | (924,302) |
| Accrued interest - Zone IV | | (24,606) |
| Deferred outflows | | 24,584 |
| Deferred inflows | | (56,145) |
| Net Pension liability | | (66,259) |
| | | (66,259) |

| | | |
|---|----|-----------|
| Net Position of Governmental Activities | \$ | 6,137,251 |
|---|----|-----------|

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, 2016

| | General Fund |
|---|--------------|
| Revenues: | |
| Property taxes | \$ 372,583 |
| Zone IV income | 363,786 |
| Zone V income | 6,550 |
| Measure A taxes | 82,222 |
| Licenses and permits | 140,530 |
| Charges for service | 868,437 |
| Education Revenue Augmentation Fund | 126,316 |
| Facility rental | 191,147 |
| Use of money | 2,926 |
| Total revenues | 2,154,497 |
| Expenditures: | |
| Administration | 344,288 |
| Youth programs | 155,643 |
| Adult programs | 14,651 |
| Aquatics | 411,164 |
| Tennis | 25,262 |
| Facilities | 334,181 |
| Special events | 19,340 |
| Zone V maintenance | 6,306 |
| Zone IV maintenance | 80,238 |
| Capital improvement projects | 394,940 |
| Debt service: | |
| Principal | 171,949 |
| Interest | 45,498 |
| Total expenditures | 2,003,460 |
| Excess (deficiency) of revenue over (under) expenditures | 151,037 |
| Net change in Fund balance | 151,037 |
| Fund balance, beginning of period | 2,284,510 |
| Fund balance, end of period | \$ 2,435,547 |
| Fund balance, end of period | \$ 4,871,094 |

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, 2016

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> | \$ | 151,037 |
|--|----|---------|

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 | | 294,133 |
| Depreciation expense is deducted from the fund balance | | (228,528) |

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:

| | | |
|---|--|---------|
| Repayment of debt principal is added back to fund balance | | 171,949 |
|---|--|---------|

Government funds record pension expense as it is paid. However, in the Statement of Activities those costs are reversed as deferred outflows/(inflows) and an increase/(decrease) in net pension liability.

| | | |
|--|--|--------|
| | | 18,345 |
|--|--|--------|

| | | |
|--|----|---------|
| <u>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</u> | \$ | 406,936 |
|--|----|---------|

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

Strawberry Recreation District
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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, 2016

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, 2016

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 \$37,645 due to Zone 4 capital project costs for the fiscal year ended June 30, 2016.

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, 2016

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, 2016, the total accrued vacation subject to redemption amounted to approximately \$43,181.

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.

I. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District recognizes deferred outflows and inflows of resources.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the District that is applicable to a future reporting period.

J. 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) plans (Plans) and additions 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.

Strawberry Recreation District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

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.

| | |
|--|------------|
| | 2016 |
| Zone IV & V debt and services and capital outlay and Measure A | \$ 872,746 |

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, 2016 was \$2,147,997. 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, 2016, 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.

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, 2015 | Additions | Retirements | Balance June 30, 2016 |
|-------------------------------|--------------------------|-----------|-------------|--------------------------|
| 2004 General Obligation Bonds | | | | |
| Zone IV | \$ 1,096,251 | \$ _____ | \$ 171,949 | \$ 924,302 |
| Less: current maturities | (171,949) | | | (182,757) |
| Total long-term liabilities | \$ 924,302 | | | \$ 741,545 |

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.

Strawberry Recreation District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE 4 - LONG-TERM DEBT (concluded)

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

| Year Ending June 30 | Principal | Interest | Total |
|---------------------|------------|-----------|------------|
| 2017 | \$ 155,000 | \$ 30,968 | \$ 185,968 |
| 2018 | 160,000 | 23,915 | 183,915 |
| 2019 | 170,000 | 16,475 | 186,475 |
| 2020 | 175,000 | 8,400 | 183,400 |
| Totals | \$ 660,000 | \$ 79,758 | \$ 739,758 |

| Year Ending June 30 | Principal | Interest | Total |
|---------------------|------------|-----------|------------|
| 2017 | \$ 27,757 | \$ 7,257 | \$ 35,014 |
| 2018 | 28,591 | 6,412 | 35,003 |
| 2019 | 29,449 | 5,540 | 34,989 |
| 2020 | 30,333 | 4,643 | 34,976 |
| 2021 | 31,244 | 3,719 | 34,963 |
| 2022 | 32,182 | 2,767 | 34,949 |
| 2023 | 33,149 | 1,786 | 34,935 |
| 2024 | 34,143 | 776 | 34,919 |
| 2025 | 17,454 | 260 | 17,714 |
| Totals | \$ 264,302 | \$ 33,160 | \$ 297,462 |

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.

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 |

Strawberry Recreation District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE 5 - CAPITAL ASSETS (concluded)

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, 2015 | Additions | Retirements | Balance June 30, 2016 |
|--------------------------|--------------------------|------------|-------------|--------------------------|
| Land (not depreciated) | \$ 183,790 | \$ - | \$ - | \$ 183,790 |
| Structures/improvements | 3,892,082 | 227,282 | - | 4,119,364 |
| Dredging Zone IV | 1,658,935 | 66,851 | - | 1,725,786 |
| Total | 5,734,807 | \$ 294,133 | \$ - | 6,028,940 |
| Accumulated depreciation | (3,487,528) | | | (3,716,056) |
| Net capital assets | \$ 2,247,279 | | | \$ 2,312,884 |

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 | \$ 228,528 |
|---------------------|------------|

NOTE 6 - DEFINED BENEFIT PENSION PLAN

Plan Description: All qualified permanent and probationary employees are eligible to participate in the District's following cost-sharing multiple employer defined benefit pension plans (Plans):

- District Miscellaneous

The Plans are administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

Strawberry Recreation District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE 6 - DEFINED BENEFIT PENSION PLAN (continued)

The Plan provisions and benefits in effect at June 30, 2016, are summarized as follows:

| | <u>District Miscellaneous</u> | |
|--|-------------------------------------|--|
| | <u>Prior to January 1, 2013</u> | <u>On or after January 1, 2013</u> |
| Hire date | | |
| Benefit formula | 2% @ 55 | 2% @ 62 |
| Benefit vesting schedule | 5 years service | 5 years service |
| Benefit payments | monthly for life | monthly for life |
| Retirement age | 50 - 55 | 52 - 67 |
| Monthly benefits, as a % of eligible compensations | 2.0% to 2.7% | 1.0% to 2.5% |
| Required employee contribution rates | 7% | 6.5% |
| Required employer contribution rates | 7% | 6.5% |

Contributions - Section 20814(c) of the California Public Employees' Retirement Law 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. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2016, the contributions recognized as part of pension expense for each Plan were as follows:

| | |
|--------------------------|---------------------------------|
| Contributions - employer | <u>Miscellaneous</u> \$4,965 |
|--------------------------|---------------------------------|

As of June 30, 2016, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Miscellaneous Plans as follows:

| | |
|---------------|---|
| Miscellaneous | <u>Proportionate Share of Net Pension Liability</u> <u>\$ 66,259</u> |
|---------------|---|

The District's net pension liability for the Plans is measured as the proportionate share of the net pension liability. The net pension liability of the Plans is measured as of June 30, 2015, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 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 plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for each Plan as of June 30, 2014 and 2015 was as follows:

| <u>District's Miscellaneous Plan</u> | <u>Miscellaneous</u> |
|--------------------------------------|----------------------|
| Proportion - June 30, 2014 | .001% |
| Proportion - June 30, 2015 | .002% |
| Change - Increase (Decrease) | .001% |

Strawberry Recreation District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE 6 - DEFINED BENEFIT PENSION PLAN (continued)

For the year ended June 30, 2016, the District recognized pension expense of \$4,965. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Pension contributions subsequent to measurement date | \$ 23,306 | \$ - |
| Differences between actual and expected experience | 1,278 | - |
| Changes in assumptions | - | 12,090 |
| Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions | - | 37,994 |
| Net differences between projected and actual earnings on plan investments | - | 6,061 |
| Total | \$ 24,584 | \$ 56,145 |

The \$23,306 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ended June 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| <u>Year Ended June 30</u> | | |
|---------------------------|--|-------------|
| 2017 | | \$ (19,140) |
| 2018 | | (19,031) |
| 2019 | | (15,183) |
| 2020 | | (1,513) |
| 2021 | | - |
| Thereafter | | - |

Actuarial Assumptions - The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

| | |
|---------------------------|---|
| Valuation Date | June 30, 2014 |
| Measurement Date | June 30, 2015 |
| Actuarial Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions: | |
| Discount Rate | 7.65% |
| Inflation | 2.75% |
| Payroll Growth | 3.0% |
| Projected Salary Increase | 3.3% - 14.2% ⁽¹⁾ |
| Investment Rate of Return | 7.65% ⁽²⁾ |
| Mortality | Derived from CalPERS Membership Data for all Funds ⁽³⁾ |

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

Strawberry Recreation District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE 6 - DEFINED BENEFIT PENSION PLAN (continued)

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2001. Further details of the Experience Study can be found on the CalPERS website.

Change of Assumptions

GASB Statement No. 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expenses but without reduction for pension plan administrative expenses. The discount rate of 7.5 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expenses.

The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the test revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB Statement No. 68 section.

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.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected PERF cash flows. Using historical returns on all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the 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. The target allocation shown was adopted by the Board effective on July 1, 2014.

| <u>Asset Class</u> | <u>New Strategic Allocation</u> | <u>Real Return Years 1-10⁽¹⁾</u> | <u>Real Return Years 11+(²)</u> |
|-------------------------------|-------------------------------------|---|--|
| Global Equity | 51.0% | 5.25% | 5.71% |
| Global Fixed Income | 19.0% | 0.99% | 2.43% |
| Inflation Sensitive | 6.0% | 0.45% | 3.36% |
| Private Equity | 10.0% | 6.83% | 6.95% |
| Real Estate | 10.0% | 4.50% | 5.13% |
| Infrastructure and Forestland | 2.0% | 4.50% | 5.09% |
| Liquidity | <u>2.0%</u> | (0.55)% | (1.05)% |
| Total | <u>100.00%</u> | | |

Strawberry Recreation District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE 6 - DEFINED BENEFIT PENSION PLAN (concluded)

- (1) An expected inflation of 2.5% used for this period
- (2) An expected inflation of 3.0% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

| | <u>Miscellaneous</u> |
|-----------------------|----------------------|
| 1% Decrease | 6.65% |
| Net Pension Liability | \$181,139 |
| Current Discount Rate | 7.65% |
| Net Pension Liability | \$66,259 |
| 1% Increase | 8.65% |
| Net Pension Liability | (\$28,500) |

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

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.

Strawberry Recreation District
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 7 - RISK MANAGEMENT (concluded)

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.
- 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 added 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.

Strawberry Recreation District
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 - NET POSITION AND FUND BALANCES (concluded)

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.

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.

REQUIRED SUPPLEMENTARY INFORMATION

Strawberry Recreation District
PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
 Required Supplementary Information
 Last 10 Years*

| | <u>June 30, 2015</u> | <u>June 30, 2016</u> |
|---|----------------------|----------------------|
| Proportion of the net pension liability | 0.00140% | 0.002417% |
| Proportionate share of the net pension liability | \$ 87,088 | \$ 66,259 |
| Covered payroll | \$ 205,477 | \$ 299,005 |
| Proportionate share of the net pension liability as a percentage of covered payroll | 42.38% | 22% |
| Plan fiduciary net position as a percentage of the total pension liability | 88.82% | 92.% |

NOTES TO SCHEDULE:

Changes in Benefit Terms - None

Changes in Assumptions

The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

* Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

Strawberry Recreation District
SCHEDULE OF CONTRIBUTIONS
 Required Supplementary Information
 Last 10 Years*

| | June 30, 2015 | June 30, 2016 |
|---|---------------|---------------|
| Actuarially required contribution (actuarially determined) | \$ 14,347 | \$ 17,049 |
| Contributions in relation to the actuarially determined contributions | (14,347) | (17,049) |
| Contribution deficiency (excess) | \$ - | \$ - |
| | | |
| Covered payroll | \$ 205,477 | \$ 299,005 |
| Contributions as a percentage of covered-employee payroll | 6.98% | 5.702% |

* Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

NOTE 1 - SCHEDULE DESCRIPTION

Strawberry Recreation District sponsors a defined benefit postemployment healthcare plan (the Plan) to subsidize healthcare benefits to eligible retired employees. The above schedule presents information about the funded status for the Plan's two actuarial valuations.

Strawberry Recreation District
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
For the year ended June 30, 2016
(UNAUDITED)

| | General Fund | | |
|--------------------------------------|------------------------------|--------------|----------------------------------|
| | Original and Final Budget | Actual | Variance with Final Budget |
| Revenue: | | | |
| Property taxes | \$ 284,000 | \$ 372,583 | \$ 88,583 |
| Zone IV & V income | 336,600 | 363,786 | 27,186 |
| Zone V income | 6,550 | 6,550 | - |
| Measure A taxes | 80,259 | 82,222 | 1,963 |
| Licenses and permits | 136,000 | 140,530 | 4,530 |
| Charges for service | 760,159 | 868,437 | 108,278 |
| Facility rental | 165,837 | 191,147 | 25,310 |
| Education Revenue Augmentation Fund | 130,000 | 126,316 | (3,684) |
| Use of money | 2,200 | 2,926 | 726 |
| Total revenue | 1,901,605 | 2,154,497 | 252,892 |
| Expenditures: | | | |
| Administration | 416,797 | 344,288 | 72,509 |
| Youth programs | 144,244 | 155,643 | (11,399) |
| Adult programs | 16,000 | 14,651 | 1,349 |
| Aquatics | 397,511 | 411,164 | (13,653) |
| Tennis programs | 2,805 | 25,262 | (22,457) |
| Facilities | 324,963 | 334,181 | (9,218) |
| Special events | 15,400 | 19,340 | (3,940) |
| Zone IV maintenance and improvements | 258,653 | 80,238 | 178,415 |
| Zone V maintenance | 6,550 | 6,306 | 244 |
| Capital improvement projects | 133,621 | 227,282 | (93,661) |
| Replacement reserves | 33,405 | 110,056 | (76,651) |
| Measure A | 80,259 | 57,602 | 22,657 |
| Debt service: | | | |
| Principal | 171,949 | 171,949 | - |
| Interest | 45,498 | 45,498 | - |
| Total expenditures | 2,047,655 | 2,003,460 | 44,195 |
| Excess (deficiency) of revenue | | | |
| over (under) expenditures | \$ (146,050) | 151,037 | \$ 297,087 |
| Fund balance, beginning of period | | 2,284,510 | |
| Fund balance, end of period | | \$ 2,435,547 | |

Strawberry Recreation District
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
For the year ended June 30, 2016
(UNAUDITED)

| | General Fund (Without Zone IV) | | |
|---|--------------------------------|--------------|----------------------------------|
| | Original and Final Budget | Actual | Variance with Final Budget |
| Revenue: | | | |
| Total revenue | \$ 1,901,605 | \$ 2,154,497 | \$ 252,892 |
| Less Zone IV revenue | (336,600) | (363,786) | 27,186 |
| Total District revenue (without Zone IV) | 1,565,005 | 1,790,711 | 225,706 |
| Expenditures: | | | |
| Total District expenditures | 2,047,655 | 2,003,460 | 44,195 |
| Less Zone IV expenditures | (476,100) | (80,238) | 395,862 |
| Total District expenditures (without Zone IV) | 1,571,555 | 1,923,222 | (351,667) |
| Excess (deficiency) of revenue over (under) expenditures (without Zone IV) | \$ (6,550) | \$ (132,511) | \$ (125,961) |