

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT**

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2017**

**JAMES MARTA & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS**

**701 HOWE AVENUE, E3
SACRAMENTO, CA**

**(916) 993-9494
(916) 993-9489 FAX
WWW.JPMCPA.COM**

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

SEPTEMBER 30, 2017

BOARD OF DIRECTORS

<u>Name</u>	<u>Office</u>	<u>Term Expires November</u>
Kristin York	Chairperson	2020
Peter Werbel	Vice Chairperson	2018
Mark Tanner	Secretary	2018
Dan Kates	Member	2018
Jason Hansford	Member	2018

* * * *

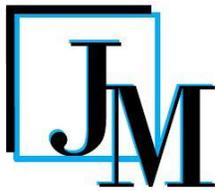
General Manager
Steve Randall

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

SEPTEMBER 30, 2017

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements	
Balance Sheet – Governmental Funds	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	15
Notes to the Financial Statements	16
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP) and Actual – General Fund	31
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP) and Actual – Mitigation Fund	32
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP) and Actual – Quimby Fees Fund	33
Notes to Required Supplementary Information	34
OTHER INDEPENDENT AUDITOR'S REPORT	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	35



James Marta & Company LLP

Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Truckee-Donner Recreation and Park District
Truckee, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Truckee-Donner Recreation and Park District (the District), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States 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 the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Truckee-Donner Recreation and Park District as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

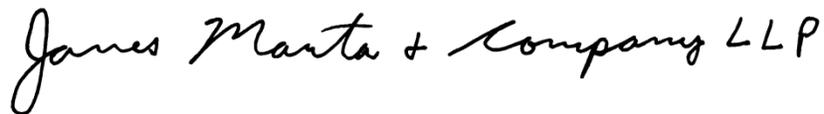
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP) and Actual – General Fund, Mitigation Fund and Quimby Fees Fund 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



James Marta & Company LLP
Certified Public Accountants
Sacramento, California
March 5, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2017

This section of the District's annual report is provided as supplementary information to the audited financial statements. It is management's intention that this information provides the financial statement reader with a brief and concise overview and analysis of the District's financial activities for the fiscal year ended September 30, 2017.

Financial Highlights

Total assets decreased by \$236,386 in 2017, from \$39,947,835 to \$39,711,449.

Property tax and assessment revenue, the District's main source of revenue, increased from \$4,589,685 in 2015-16, to \$4,850,957 in 2016-17. District services, recreation programs and park facility revenues, increased \$482,864 from \$2,683,986 to \$3,166,850 during the year ended September 30, 2017. This was a result of more citizens participating in recreation programs, an increased number of programs offered, and an increase in facility rentals.

Restricted mitigation fees collected under AB1600 and Quimby decreased by \$6,886 in 2017, from \$319,321 to \$312,435. These funds are used at the District's discretion to develop park and recreation facilities in the District.

Total expenditures for the District were \$9,000,622, which includes General Government Expenditures of \$6,289,640, Capital Outlay of \$1,278,911, and Debt Service of \$1,432,071.

Total government fund balances decreased by \$263,976 in 2017, from the October 1, 2016 fund balance of \$4,124,983 to \$3,861,007.

All capital acquisitions are recorded as assets on the District's Statement of Net Position, and appropriate depreciation of those assets is recorded as depreciation expense. Accordingly, the capital outlay expenditure total was \$1,278,911 in the current fiscal year, and depreciation expense was \$809,932 for the year ended September 30, 2017. The Construction in Progress had a net increase of \$1,129,536, mainly due to additions to the Aquatic Center for \$602,961, Tahoe Pyramid Bike Trail for \$333,406, Ice Rink for \$7,602, Bike Park for \$36,147, Meadow Park for \$8,583, and Donner Lake Piers for \$203,356.

In 2002, the District borrowed \$2 million to build the Community Sports Complex. In August 2007, the District received \$24,235,000 in certificates of participation proceeds to build the new Community Recreation Center. In April 2016, the District offered and sold 2016 Refunding Certificates of Participation (the "Refunding Certificates") totaling \$20,140,000, which fully refunded both the loan and 2007 certificates of participation. The Refunding Certificates were delivered pursuant to a Trust Agreement dated as of April 1, 2016, among the Truckee-Donner Recreation and Park District Financing Corporation (the "Financing Corporation"), the District, and the Trustee. The Refunding Certificates bear interest rates from 3% to 4% and are scheduled to mature through 2036.

Overview of the Financial Statements

This annual report consists of the Management Discussion and Analysis, Financial Statements and Notes to those statements. These statements are organized to present the Truckee-Donner Recreation and Park District

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2017

(the District) as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities. Readers should also review the accompanying notes to the financial statements to enhance their understanding of the District's financial performance.

The Truckee-Donner Recreation and Park District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

The District provides recreational programs and classes that are principally supported by taxes and intergovernmental revenues along with nominal participant fees. The District has no business-type activities, activities that are intended to recover all or a significant portion of their costs through user fees and charges.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Truckee-Donner Recreation and Park District's finances, in a manner similar to a private sector business.

The statement of net position presents information on all of the Truckee-Donner Recreation and Park District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Truckee-Donner Recreation and Park District is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The District has only government-type activities, activities that are principally supported by taxes and intergovernmental revenues.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Truckee-Donner Recreation and Park District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has only governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

The District maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Mitigation Fund, and Quimby Fees Fund, all three of which are considered to be major funds.

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2017

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-29 of this report.

Other information. In addition to the basic financial statement and accompanying notes, this report also presents certain required supplementary information, including this discussion and analysis of the financial statements. The required District budgetary comparison schedules and notes, as well as the Independent Auditor's report can be found on pages 30-35 of this report.

Government-Wide Financial Analysis

Statement of Net Position

District's assets and deferred outflows exceeded liabilities and deferred inflows by \$19,792,837 at the close of the fiscal year ended September 30, 2017. This is an increase in net position of \$731,543 when compared with net position of \$19,061,294 at the close of the fiscal year ended September 30, 2016. The District's investment of \$35,473,909 in capital assets (land, buildings, furniture and equipment) represents 89% of total assets. Capital assets are reported net of accumulated depreciation.

	Governmental Activities			
	2017	2016	Change	% Change
Assets				
Current and Other Assets	\$ 4,237,540	\$ 4,976,648	\$ (739,108)	-14.85%
Capital Assets, Net of Depreciation	35,473,909	34,971,187	502,722	1.44%
Total Assets	<u>39,711,449</u>	<u>39,947,835</u>	<u>(236,386)</u>	<u>-0.59%</u>
Deferred outflows of resources				
Deferred loss on refunding	<u>1,836,567</u>	<u>1,943,606</u>	<u>(107,039)</u>	<u>-5.51%</u>
Liabilities				
Current Liabilities	1,169,754	1,422,308	(252,554)	-17.76%
Non-Current Liabilities	19,095,091	19,838,721	(743,630)	-3.75%
Total Liabilities	<u>20,264,845</u>	<u>21,261,029</u>	<u>(996,184)</u>	<u>-4.69%</u>
Deferred inflows of resources				
Deferred premium revenue	<u>1,490,334</u>	<u>1,569,118</u>	<u>(78,784)</u>	<u>-5.02%</u>
Net Position				
Net Investment in Capital Assets	15,803,909	14,831,187	972,722	6.56%
Restricted	755,749	447,823	307,926	68.76%
Unrestricted	3,233,179	3,782,284	(549,105)	-14.52%
	<u>\$ 19,792,837</u>	<u>\$ 19,061,294</u>	<u>\$ 731,543</u>	<u>3.84%</u>

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2017

Statement of Activities

The District's total revenues were \$8,737,969. Property taxes accounted for 56% of the District's revenue. Another 36% came from District services. The cost of all of the District's governmental activities was \$8,006,426 and \$6,867,988 for the fiscal years ending September 30, 2017 and 2016 respectively.

	Governmental Activities			
	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>% Change</u>
Revenues				
Program Revenues				
Charges for Services	\$ 3,166,850	\$ 2,683,986	\$ 482,864	17.99%
Grants, Contributions, Mitigation & Quimby Fees	715,855	572,192	143,663	25.11%
General Revenues				
Property Taxes	4,850,957	4,589,685	261,272	5.69%
Investment Income	41,727	63,581	(21,854)	-34.37%
Increase (Decrease) in FMV of Cash and Cash Equivalents	(37,420)	(6,517)	(30,903)	474.19%
Total Revenues	<u>8,737,969</u>	<u>7,902,927</u>	<u>835,042</u>	<u>10.57%</u>
Expenses				
General Government	7,099,327	6,332,734	766,593	12.11%
Interest on Long-Term Debt	919,649	547,026	372,623	68.12%
Amortization Expense	(12,550)	(11,772)	(778)	6.61%
Total Expenses	<u>8,006,426</u>	<u>6,867,988</u>	<u>1,138,438</u>	<u>16.58%</u>
Change in Net Position	731,543	1,034,939	(303,396)	-29.32%
Net Position, Beginning of Year	<u>19,061,294</u>	<u>18,026,355</u>	<u>1,034,939</u>	<u>5.74%</u>
Net Position, End of Year	<u>\$ 19,792,837</u>	<u>\$ 19,061,294</u>	<u>\$ 731,543</u>	<u>3.84%</u>

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2017

Fund Financial Statement Analysis

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District's governmental funds are comprised of the General Fund, Mitigation Fund, and Quimby Fees Fund, all three major funds. As of September 30, 2017 the District governmental funds had a combined fund balance of \$3,861,007 a decrease of \$263,976 from September 30, 2016.

General Fund – this fund is the main operating fund of the District and represents the largest accounting entity of District governmental funds. The primary funding source for the General Fund is property tax revenues, which totaled \$4,850,957 and was 58% of total General Fund revenue of \$8,425,084. The other large revenue source for the year was district services, totaling \$3,166,850, which accounted for 38% of the General Fund revenue.

The primary expenditure categories supported by these revenues in 2016-17 were general government, capital outlay, and debt service expenses, which totaled \$9,000,622. General government expenses were \$6,289,640 (70% of total general fund expenses), capital outlay was \$1,278,911 (14% of total general fund expenses), and debt service was \$1,432,071 (16% of total general fund expenses).

At September 30, 2017, the General Fund balance was \$3,396,595, a decrease of \$292,410 from the beginning of the year.

Mitigation Fund – this fund accounts for the collection of AB 1600 mitigation fees. These fees cannot be used for daily operations, but must be used only to develop parkland and provide recreational, community use facilities to meet the needs of the new service populations within the District. During the year, \$253,731 of the accumulated fees was expended on development of recreational facilities. At September 30, 2017, the Mitigation Fund balance was \$430,607, an increase of \$12,650 from the beginning of the year.

Quimby Fees Fund – this fund accounts for the collection of Quimby fees. These fees cannot be used for daily operations, but must be used only to develop parkland and provide recreational, community use facilities to meet the needs of the new service populations within the District. During the year, \$30,720 in accumulated fees was expended on recreational facilities. At September 30, 2017, the Quimby Fees Fund balance was \$33,805, an increase of \$15,784 from the beginning of the year fund balance of \$18,021.

General Fund Budgetary Highlights

A comparison of the final budget to actual revenues and expenditures for the General Fund is presented in the Required Supplementary Information section of this report.

Actual revenues were \$534,455 over budget and actual expenses were \$652,693 over budget.

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2017

Capital Assets

The District's investment in capital assets as of September 30, 2017 is approximately \$35.5 million (net of accumulated depreciation), an increase of \$502,722 from the prior year mainly due to an increase construction in progress.

Governmental Activities

	2017	2016
Land	\$ 3,997,736	\$ 3,997,736
Construction in Progress	11,152,207	10,022,671
Structures, Improvements and Equipment	30,380,369	30,197,251
Less Depreciation	(10,056,403)	(9,246,471)
Total	<u>\$ 35,473,909</u>	<u>\$ 34,971,187</u>

Long-Term Debt

Information regarding the District's debt can be found in detail in Note 5, beginning on page 25 of the financial statements. As of September 30, 2017 and 2016, the District has balances of \$19,830,091 and \$20,308,721 respectively, in long term debt outstanding as summarized below.

Governmental Activities

	2017	2016
2016 Refunding Certificates of Participation	\$ 19,670,000	\$ 20,140,000
Compensated Absences	160,091	168,721
Total	<u>\$ 19,830,091</u>	<u>\$ 20,308,721</u>

Economic Factors and Future Years' Budgets

Property taxes and assessments are the primary source of funding for Truckee-Donner Recreation and Park District. Economic data indicates that the real estate market is beginning to recover. In FY 2016-2017 the median home price in Truckee increased by 8%, and the number of home sales increased by 7.0%. Property tax and assessment revenues increased by \$261,272, or approximately 5.69%, in FY 2016-2017. It is anticipated that median prices will increase with new home construction coming on the market. Taking the increase in median home price, home sales, and new home construction into account, the District has budgeted a 5.56% increase in property tax and assessment revenues for FY 2017-2018.

Unemployment in Truckee has decreased from 4.6% in FY 2015-2016 to 4.0% by the end of FY 2016-2017. Consumer confidence has also been improving. These factors influence District residents' ability and willingness to pay for local recreation programs. In FY 2016-2017 the District saw an increase of \$482,864, or 18%, in district services, recreation programs, and park facility revenues. For FY 2017-2018 the District has budgeted an increase of 6% in district service revenues over FY 2016-2017 actual revenues received.

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2017

In FY 2014-2015 the District began construction on the new Aquatic Center facility with an associated capital outlay of \$2,893,787. Construction of the facility continued in FY 2015-2016 and FY 2016-2017 with associated capital outlays of \$6,144,158 and \$602,961, respectively. Completion of the Aquatic Center is expected early in the next fiscal year.

The operating budget for general government expenditures for FY 2017-2018 is \$7,083,443, which is a 6.58% increase over the prior year budget of \$6,645,896.

The debt service payments in FY 2016-2017 were made from the District's General Fund reserves and in FY 2017-2018 will be made from the District's General Fund reserves and proceeds from debt restructuring. The District's debt service payments for the next fiscal year are budgeted at \$1,433,650.

Request for information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Truckee-Donner Recreation and Park District, Attn: Mr. Steve Randall, General Manager, 8924 Donner Pass Road, Truckee, California 96161.

BASIC FINANCIAL STATEMENTS

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

STATEMENT OF NET POSITION

SEPTEMBER 30, 2017

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 3,051,651
Restricted cash and cash equivalents	747,971
FMV adjustment of cash and cash equivalents	(7,831)
Receivables - net of allowances of \$1,780	308,439
Prepaid expenses	125,864
Inventory	11,446
Total Current Assets	<u>4,237,540</u>
Non-Current Assets	
Capital Assets:	
Land	3,997,736
Construction in progress	11,152,207
Depreciable capital assets	30,380,369
Accumulated depreciation	(10,056,403)
Capital assets - net	<u>35,473,909</u>
Total Assets	<u>39,711,449</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on refunding of COP	1,787,411
Deferred loss on refunding of CIEDB Loan	49,156
Total Deferred Outflows	<u>1,836,567</u>
LIABILITIES	
Current Liabilities	
Accounts payable	166,310
Accrued expenses	192,975
Pension liability	10,055
Other liabilities	7,193
Interest payable	58,221
Current portion of long-term obligations	735,000
Total Current Liabilities	<u>1,169,754</u>
Long-Term Liabilities:	
Compensated absences	160,091
Other long-term obligations - net of current portion	18,935,000
Total Long-Term Liabilities	<u>19,095,091</u>
Total Liabilities	<u>20,264,845</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred COP premium revenue	<u>1,490,334</u>
NET POSITION	
Net investment in capital assets	15,803,909
Restricted	
Grants	291,337
Mitigation	430,607
Quimby Fees	33,805
Unrestricted	<u>3,233,179</u>
Total Net Position	<u>\$ 19,792,837</u>

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

TRUCKEE-DONNER RECREATION AND PARK DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

	<u>Program Revenues</u>			<u>Net Revenue</u>
	<u>Expenses</u>	<u>Charges For Services</u>	<u>Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
General government	\$ 7,058,522	\$ 3,166,850	\$ 403,420	\$ (3,488,252)
Interest on long-term debt	919,649	-	-	(919,649)
Amortization of deferred loss on debt refunding	107,039	-	-	(107,039)
Amortization of deferred debt premium	(78,784)	-	-	78,784
Total Governmental Activities	<u>\$ 8,006,426</u>	<u>\$ 3,166,850</u>	<u>\$ 403,420</u>	<u>\$ (4,436,156)</u>
General Revenues:				
Property taxes and assessments				4,850,957
Investment income				4,307
Mitigation & quimby fees				312,435
Total General Revenues and Transfers				<u>5,167,699</u>
Change in Net Position				731,543
Net Position - October 1, 2016				<u>19,061,294</u>
Net Position - September 30, 2017				<u>\$ 19,792,837</u>

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2017

	General Fund	Mitigation Fund	Quimby Fees Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 3,051,651	\$ -	\$ -	\$ 3,051,651
Restricted cash and cash equivalents	10,055	673,233	64,683	747,971
FMV adjustment of cash and cash equivalents	(6,026)	(1,647)	(158)	(7,831)
Accounts receivable - net of allowance of \$1,780	308,439	-	-	308,439
Prepaid expenditures	125,864	-	-	125,864
Inventory	11,446	-	-	11,446
Due from other funds	271,699	-	-	271,699
Total Assets	\$ 3,773,128	\$ 671,586	\$ 64,525	\$ 4,509,239
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 166,310	\$ -	\$ -	\$ 166,310
Accrued payroll and related liabilities	192,975	-	-	192,975
Pension liability	10,055	-	-	10,055
Other liabilities	7,193	-	-	7,193
Due to other funds	-	240,979	30,720	271,699
Total Liabilities	376,533	240,979	30,720	648,232
Fund Balances				
Nonspendable	137,310	-	-	137,310
Restricted	291,337	430,607	33,805	755,749
Committed	2,200,000	-	-	2,200,000
Assigned	9,585	-	-	9,585
Unassigned	758,363	-	-	758,363
Total Fund Balances	3,396,595	430,607	33,805	3,861,007
Total Liabilities and Fund Balances	\$ 3,773,128	\$ 671,586	\$ 64,525	\$ 4,509,239

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

TRUCKEE-DONNER RECREATION AND PARK DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

SEPTEMBER 30, 2017

Total fund balances - Governmental Funds	\$	3,861,007
<p>In governmental funds only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.</p>		
Capital assets at historical cost	\$	45,530,312
Accumulated depreciation	<u>(10,056,403)</u>	35,473,909
<p>Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:</p>		
2016 Refunding Certificates of Participation	(19,670,000)	
Compensated Absences	<u>(160,091)</u>	(19,830,091)
<p>Unamortized costs: In governmental funds, debt issue costs and premiums are recognized in the period they are incurred. In the government-wide statements, debt issue costs and premiums are amortized over the life of the debt. Unamortized debt issue costs and premiums included in deferred inflows and outflows on the statement of net position are:</p>		
Unamortized portion of refunding COP premium	(1,490,334)	
Unamortized portion of loss on refunding of 2007 COP	1,787,411	
Unamortized portion of loss on refunding of CIEDB loan	<u>49,156</u>	346,233
Unmatured interest on long-term liabilities is recognized in the period incurred.		<u>(58,221)</u>
Total Net Position - Governmental Activities	\$	<u>19,792,837</u>

TRUCKEE-DONNER RECREATION AND PARK DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>General Fund</u>	<u>Mitigation Fund</u>	<u>Quimby Fees Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Tax and Assessments	\$ 4,850,957	\$ -	\$ -	\$ 4,850,957
Mitigation and Quimby Fees	-	267,075	45,360	312,435
District Services	3,166,850	-	-	3,166,850
Donations	112,083	-	-	112,083
Grants	291,337	-	-	291,337
Interest	34,407	5,800	1,520	41,727
Increase (Decrease) in FMV of Cash and Equivalents	(30,550)	(6,494)	(376)	(37,420)
Total Revenues	<u>8,425,084</u>	<u>266,381</u>	<u>46,504</u>	<u>8,737,969</u>
EXPENDITURES				
General Government	6,289,640	-	-	6,289,640
Capital Outlay	1,278,911	-	-	1,278,911
Debt service:				
Principal	470,000	-	-	470,000
Interest	962,071	-	-	962,071
Total Expenditures	<u>9,000,622</u>	<u>-</u>	<u>-</u>	<u>9,000,622</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(575,538)</u>	<u>266,381</u>	<u>46,504</u>	<u>(262,653)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	285,279	-	-	285,279
Transfers out	-	(254,559)	(30,720)	(285,279)
Other sources (uses)	(2,151)	828	-	(1,323)
Total other financing sources (uses)	<u>283,128</u>	<u>(253,731)</u>	<u>(30,720)</u>	<u>(1,323)</u>
Net Change in Fund Balance	(292,410)	12,650	15,784	(263,976)
Fund Balance, October 1, 2016	<u>3,689,005</u>	<u>417,957</u>	<u>18,021</u>	<u>4,124,983</u>
Fund Balance, September 30, 2017	<u>\$ 3,396,595</u>	<u>\$ 430,607</u>	<u>\$ 33,805</u>	<u>\$ 3,861,007</u>

TRUCKEE-DONNER RECREATION AND PARK DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

Net Change in Fund Balances	\$ (263,976)
<p>Amounts reported for governmental activities in the Statement of Activities are different because of the following:</p>	
<p>Acquisitions of capital assets are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>	1,312,654
<p>Depreciation of capital assets is an expense that is not recorded in the governmental funds.</p>	(809,932)
<p>Repayment of principal on long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the statement of net position.</p>	470,000
<p>Amortization of debt issue premium or discount or deferred gain or loss from debt refunding: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount, plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt. Amortization of premium or discount, or deferred gain or loss from debt refunding, for the period is:</p>	
Deferred outflows relating to loss from debt refunding upon issuance	(94,489)
Deferred inflows relating to debt issue premium upon issuance	78,784
Amortization of deferred outflows relating to loss from debt refunding	(12,550)
<p>Interest on long-term liabilities is recognized in the period it is incurred, in governmental funds it is only recognized when it is paid.</p>	42,422
<p>In the Statement of Activities, expenses related to compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used.</p>	<u>8,630</u>
Change in Net Position of Governmental Activities	<u><u>\$ 731,543</u></u>

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION

The Truckee-Donner Recreation and Park District of Nevada County, California is a special district funded predominately by property taxes and development fees. The District's purpose is to provide recreation and park services within the district. The primary method used to monitor the performance of the District's financial management is the financial budget which is adopted annually by the Board of Directors.

The District's main funding sources include property taxes, charges for services, mitigation, Quimby and development fees, and other financial assistance.

B. BASIS OF PRESENTATION

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. In the government-wide Statement of Net Position, the governmental activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts - invested in capital assets net of related debt; restricted net position; and unrestricted net position. The District first utilizes restricted resources to finance qualifying activities.

Program revenues: Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Districts general revenues.

Allocation of indirect expenses: The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is allocated to General Government function and reported in total in the Statement of Activities. Interest on general long-term liabilities is considered an indirect expense and is reported separately on the Statement of Activities.

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column.

Basic Financial Statements

The basic financial statements include financial statements prepared using full accrual accounting for all of the District's activities, including infrastructure, and a change in the fund financial statements to focus on the major funds.

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

B. BASIS OF PRESENTATION (CONTINUED)

Reporting Entity

The reporting entity for the Truckee-Donner Recreation and Park District includes all the funds and operations under the jurisdiction of the District. Although they are separate legal entities, blended component units are in substance part of the District's operations and are reported as an integral part of the District's basic financial statements. The Board of Directors in concurrent sessions serve as the governing board of each of the blended component units, and all accounting and administrative functions are performed by the District.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Codification Section (GASB Cod. Sec.) N50.118-.121.

Governmental Fund Financial Statements

Governmental fund financial statements (i.e. balance sheet and statement of revenues, expenditures and changes in fund balances) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used, or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Budgets and Budgetary Accounting: The Board of Directors annually adopts a District-wide budget resolution. Department heads submit budget requests to the District General Manager. District employees prepare estimates of revenue and recommendations for the next year's budget. The preliminary budget may be amended by the Board of Directors and is adopted by resolution by the Board of Directors. The final budget is then adopted by the Board of Directors on or before September 30. Budget appropriations lapse at the end of the year. The budget is prepared on a cash basis, which does not vary significantly from the basis of accounting used in the financial statements. Management can transfer budgeted amounts between expenditure accounts within an object level without the approval of the Board of Directors.

D. FUND ACCOUNTING

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District funds are as follows:

Major Funds:

General Fund - The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

Mitigation Fund - The Mitigation Fund is used to account for the collection of mitigation fees. These fees cannot be used for daily operations, but must be used only to develop parkland and provide recreational, community use facilities to meet the needs of the new service populations within the District.

Quimby Fees Fund - The Quimby Fees Fund is used to account for the collection of Quimby fees. These fees cannot be used for daily operations, but must be used only to develop parkland and provide recreational, community use facilities to meet the needs of the new service populations within the District.

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

E. INVENTORY

Inventory consists of golfing equipment and supplies sold at Ponderosa Golf Course and swimming gear sold at the Truckee Pool. All inventory is carried at cost using the first-in, first-out method.

F. CAPITAL ASSETS

Capital assets purchased or acquired, with an original cost of \$1,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 3 - 40 years depending on asset types.

G. INTERFUND ACTIVITY

Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

H. COMPENSATED ABSENCES

The District accrues the cost for compensated absences (sick, vacation and comp time) when such time is earned. Employees have a vested interest in accrued sick and vacation time. All vacation hours will eventually either be used or paid by the District. It is the District's policy to pay 50% of an employee's hourly rate of pay for each hour of accumulated sick leave over 240 hours when they leave the District. For those employees who do not use their accrued balances during the current fiscal year, their balances carry over to the next fiscal year. As this occurs, the District incurs an obligation to pay for these unused hours. All compensated absences for governmental activities are paid out of the general fund.

I. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

In addition to assets, the statement of net position includes separate sections for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time.

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

J. GOVERNMENT-WIDE AND PROPRIETARY FUND NET POSITION

Net investment in capital assets consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Restricted net position consists of amounts that are restricted by the Districts creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.

Unrestricted net position consists of remaining net position not identified as invested in capital assets or restricted.

K. FUND BALANCE

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*", the District is required to report fund balances in the following categories: Nonspendable, Restricted, Committed, Assigned and/or Unassigned.

Nonspendable Fund Balance reflects assets not in spendable form, either because they will never convert to cash (prepaid expense) or must remain intact pursuant to legal or contractual requirements.

Restricted Fund Balance reflects amounts that can be spent only for the *specific purposes* stipulated by constitution, external resource providers, or through enabling legislation.

Committed Fund Balance reflects amounts that can be used only for the *specific purposes* determined by a formal action of the government's highest level of decision-making authority: the Board of Directors. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Directors.

Assigned Fund Balance reflects amounts intended to be used by the government for *specific purposes* but do not meet the criteria to be classified as restricted or committed. Under the District's adopted policy, only the Board of Directors is authorized to assign amounts for specific purposes.

Unassigned Fund Balance represents the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

When expenditures are incurred for purposes of which restricted, committed, assigned and unassigned fund balances are available, the District considers restricted funds to have been spent first, followed by committed, assigned and unassigned, respectively.

The District has an expenditure policy relating to fund balances. For purposes of fund balance classifications, expenditures are to be spent from restricted fund balances first, followed in order by committed fund balances (if any), assigned fund balances and lastly unassigned fund balances.

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

L. PROPERTY TAXES

Secured property taxes are attached as an enforceable lien on property as of January 1. Taxes are due in two installments on or before November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are due in one installment on or before July 1 and become delinquent on August 31. The County of Nevada bills and collects taxes for the District. Tax revenues are recognized by the District when received.

M. CASH AND CASH EQUIVALENTS

For presentation in the financial statements, all cash and investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents.

N. RESTRICTED CASH

Restricted cash mainly consists of special assessment proceeds restricted for mitigation of the impact on the District by construction of new homes and businesses within the District. Also, a restricted cash balance is held in relation to the liability disclosed under Note 11, Contingencies.

O. ENCUMBRANCES

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at September 30.

P. USE OF ESTIMATES

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures or expenses during the reporting period. Accordingly, actual results may differ from those estimates.

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

2. CASH AND CASH EQUIVALENTS

The District maintains commercial bank accounts and accounts with the Nevada County Treasurer.

The District's cash and cash equivalents balances at September 30, 2017 are:

Cash on hand and in banks	\$ 589,006
Cash in County Treasury	2,462,645
Cash and cash equivalents Subtotal	<u>3,051,651</u>
Restricted - Cash in County Treasury	737,916
Restricted - Cash in pension fund	10,055
Restricted - Cash and cash equivalents subtotal	<u>747,971</u>
Increase (Decrease) in FMV of cash and cash equivalents	<u>(7,831)</u>
Total Cash and Cash Equivalents	<u>\$ 3,791,791</u>

Cash in County Treasury

The District maintains substantially all of its cash in the Nevada County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Because the deposits are maintained in a recognized pooled investment fund under the care of a third party and the share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial risk classifications is required.

In accordance with applicable State laws, the Nevada County Treasurer may invest in derivative securities. However, at September 30, 2017, the Nevada County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies; certificates of participation; obligations with first priority security; and collateralized mortgage obligations. The District's investments were in compliance with the above provisions as of and during the year ended September 30, 2017.

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

2. CASH AND CASH EQUIVALENTS (CONTINUED)

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements at September 30, 2017 are as follows:

Description	Level 1	Level 2	Level 3	N/A	Total
US Agency, Treasury & Municipal Notes (USATM):					
US Agency Notes					
Notes/Discount Notes FFCB	\$ 1,240,197	\$ -	\$ -	\$ -	\$ 1,240,197
Municipal Bonds	477,494	-	-	-	477,494
Corporate Notes	614,650	-	-	-	614,650
Commercial Paper	-	147,883	-	-	147,883
Certificates of Deposit	-	367,455	-	-	367,455
LAIF	-	-	-	3,709	3,709
Cash Held in Banks	-	349,174	-	-	349,174
Cash Held in County Treasury	<u>\$ 2,332,341</u>	<u>\$ 864,511</u>	<u>\$ -</u>	<u>\$ 3,709</u>	<u>\$ 3,200,561</u>

The table below identifies the investment types that are authorized for Districts by the California Government Code. Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds, Notes Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund-LAIF	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

2. CASH AND CASH EQUIVALENTS (CONTINUED)

Deposits - Custodial Credit Risk

The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At September 30, 2017, the District's accounts were \$584,686 and the bank balances were \$923,997.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool and/or having the pool purchase a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Concentration of Credit Risk

The District's investment policy limits the amount it may invest with certain issuers. At September 30, 2017, the District had no concentration of credit risk and complied with the requirements of the District's investment policy.

3. CAPITAL ASSETS

A schedule of changes in Governmental Activities capital assets for the year ended September 30, 2017 is as follows:

	Balance October 1, 2016	Additions / Transfers In	Deletions / Transfers Out	Balance September 30, 2017
Non-depreciable assets:				
Land	\$ 3,997,736	\$ -	\$ -	\$ 3,997,736
Construction in Progress	10,022,671	1,192,055	62,519	11,152,207
	<u>14,020,407</u>	<u>1,192,055</u>	<u>62,519</u>	<u>15,149,943</u>
Depreciable assets:				
Structures, improvements and equipment	30,197,251	183,118	-	30,380,369
	<u>30,197,251</u>	<u>183,118</u>	<u>-</u>	<u>30,380,369</u>
Totals, at cost	<u>44,217,658</u>	<u>1,375,173</u>	<u>62,519</u>	<u>45,530,312</u>
Accumulated depreciation:				
Structures, improvements and equipment	(9,246,471)	(809,932)	-	(10,056,403)
	<u>(9,246,471)</u>	<u>(809,932)</u>	<u>-</u>	<u>(10,056,403)</u>
Depreciable assets, net	<u>20,950,780</u>	<u>(626,814)</u>	<u>-</u>	<u>20,323,966</u>
Capital assets, net	<u>\$ 34,971,187</u>	<u>\$ 565,241</u>	<u>\$ 62,519</u>	<u>\$ 35,473,909</u>

All depreciation is allocated to general government in the statement of activities.

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

4. INTERFUND TRANSACTIONS

Interfund transactions are reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Interfund Receivables/Payables

As of September 30, 2017, the interfund receivable and payable balances were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 271,699	\$ -
Mitigation Fund	-	240,979
Quimby Fund	-	30,720
Totals	<u>\$ 271,699</u>	<u>\$ 271,699</u>

Interfund Transfers

For the year ended September 30, 2017, the interfund transfers were as follows:

Transfer from Mitigation Fund to the General Fund for Aquatic Center project construction expenditures.	\$ 254,559
Transfer from Quimby Fund to the General Fund for Aquatic Center project construction expenditures.	30,720
Total Transfers	<u>\$ 285,279</u>

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

5. LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the fiscal year ended September 30, 2017 is as follows:

	Balance September 30, 2016	Additions	Deductions	Balance September 30, 2017	Amounts Due Within One Year
2016 Refunding Certificates of Participation	\$ 20,140,000	\$ -	\$ 470,000	\$ 19,670,000	\$ 735,000
Compensated Absences	168,721	-	8,630	160,091	-
	<u>\$ 20,308,721</u>	<u>\$ -</u>	<u>\$ 478,630</u>	<u>\$ 19,830,091</u>	<u>\$ 735,000</u>

Payments for the 2016 Refunding Certificates of Participation are made out of the General Fund. Payments on the compensated absences are made from the fund for which the related employee worked.

2016 Refunding Certificates of Participation

In April 2016, the District offered and sold 2016 Refunding Certificates of Participation (the "Refunding Certificates") totaling \$20,140,000. The Refunding Certificates were delivered pursuant to a Trust Agreement dated as of April 1, 2016, among the Truckee-Donner Recreation and Park District Financing Corporation (the "Financing Corporation"), the District, and the Trustee. The Refunding Certificates were issued to refund the District's outstanding 2007 Certificates of Participation and California Infrastructure and Economic Development Bank Loan. The Refunding Certificates bear interest rates from 3% to 4% and are scheduled to mature through 2036.

The annual payments required to amortize the 2016 Refunding Certificates of Participation outstanding as of September 30, 2017, are as follows:

Fiscal Year Ended September 30,	Principal	Interest	Total Debt Service
2018	\$ 735,000	\$ 698,650	\$ 1,433,650
2019	760,000	669,250	1,429,250
2020	795,000	638,850	1,433,850
2021	825,000	607,050	1,432,050
2022	840,000	574,050	1,414,050
2023-2027	4,735,000	2,338,050	7,073,050
2028-2032	5,720,000	1,348,500	7,068,500
2033-2037	5,260,000	400,050	5,660,050
Total	<u>\$ 19,670,000</u>	<u>\$ 7,274,450</u>	<u>\$ 26,944,450</u>

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

6. FUND BALANCES

The District follows GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. The following schedule is a summary of the components of the ending fund balance by fund type at September 30, 2017:

	General Fund	Mitigation Fund	Quimby Fees Fund	Total
Nonspendable:				
Prepaid Expenditures	\$ 125,864	\$ -	\$ -	\$ 125,864
Inventory	11,446	-	-	11,446
Total Nonspendable	<u>137,310</u>	<u>-</u>	<u>-</u>	<u>137,310</u>
Restricted For:				
Grants for Designated Programs/Projects	291,337	-	-	291,337
Capital Projects	-	430,607	33,805	464,412
Total Restricted	<u>291,337</u>	<u>430,607</u>	<u>33,805</u>	<u>755,749</u>
Committed For:				
Operating Reserves	1,100,000	-	-	1,100,000
Equipment Replacement	500,000	-	-	500,000
Facility Replacement	500,000	-	-	500,000
Board Special Project	100,000	-	-	100,000
Total Committed	<u>2,200,000</u>	<u>-</u>	<u>-</u>	<u>2,200,000</u>
Assigned For:				
Aquatic Center - Retention	<u>9,585</u>	<u>-</u>	<u>-</u>	<u>9,585</u>
Unassigned:				
Unassigned/Unappropriated	<u>758,363</u>	<u>-</u>	<u>-</u>	<u>758,363</u>
Total Fund Balances	<u><u>\$ 3,396,595</u></u>	<u><u>\$ 430,607</u></u>	<u><u>\$ 33,805</u></u>	<u><u>\$ 3,861,007</u></u>

Effective October 1, 2017, the committed operating reserve was increased to \$2,100,000.

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

7. OPERATING LEASES

Beginning in June of 2008, the District entered into an agreement with the Truckee Tahoe Airport District (Airport District) to lease real property. Under the lease agreement, the District has committed to maintain and operate the golf course on the property. The District has agreed to pay the Airport District \$166,000 per year to lease this property; however, if the District uses the land for non-motorized recreational purposes only, the annual rent will be waived and the District will not have to pay any amount for use of the land. The District intends to maintain the property as the lease agreement specifies; therefore, the District does not calculate future minimum payments associated with the lease. The current lease expires June 30, 2018 with an option to extend the lease at that time for an additional ten years.

8. PENSION PLAN

The Truckee-Donner Recreation and Park District Money Purchase Plan (the Plan) is a single employer defined contribution pension plan administered by the District for the benefit of the District's employees. The Plan offers retirement, disability, and death benefits to plan members and their beneficiaries. The District, by action of the board of directors, has the right to establish and amend the Plan at any time, subject to certain requirements of the Plan and the Internal Revenue Code.

The Plan is available to all classes of employees, provided certain age and service requirements are met. The District is required to make an annual contribution to the Plan equal to 8% of each participant's compensation. Participants are not required to make contributions. The District, by action of the board of directors, has the authority to establish and amend the Plan's contribution requirements. Contributions made to the Plan by the District in the 2017 fiscal year were \$157,610.

The Plan issues a separate annual audited financial statement report. Copies of the report are available at the District's administrative office

9. DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code section 403(b). The plan, available to all permanent employees, permits them to defer 20% of their salary up to a maximum allowed by Internal Revenue Code section 401(a).

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

10. RISK MANAGEMENT

The District is a member with other special districts of a Joint Powers Authority, California Association for Park & Recreation Indemnity (CAPRI), which provides coverage for workers' compensation, property, liability, and employee dishonesty. The Authority is governed by an Executive Board consisting of representatives from member districts. The Executive Board controls operation of the Authority, including selection of management and approval of operating budgets. The following is a summary of financial information of CAPRI as of June 30, 2016 (the most recent information available):

A. Entity	CAPRI
B. Purpose	Provide insurance coverages, risk management programs, safety and loss prevention services through a financially sound risk-sharing pool.
C. Participants	Recreation and park districts in California
D. Governing Board	Consists of a representative of each member by region
E. Payments for the Current Year	<u>\$ 190,705</u>
F. Condensed Financial Information	June 30, 2016* (Audited)
Total Assets	\$ 22,876,545
Deferred Outflows of Resources	60,059
Total Assets and Deferred Outflows	<u>\$ 22,936,604</u>
Total Liabilities	\$ 17,751,513
Deferred Inflows of Resources	42,819
Net Position	5,142,272
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 22,936,604</u>
Total Revenues	\$ 8,118,870
Total Expenses	10,735,254
Change in Net Position	<u>\$ (2,616,384)</u>

* Most current information available.

The relationship between Truckee-Donner Recreation and Park District and the Joint Powers Authority are such that they are not component units of the District for financial reporting purposes. A copy of the audit report can be obtained from CAPRI at 6340 Auburn Blvd., Suite A, Citrus Heights, California 95621.

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

11. CONTINGENCIES

The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

The District participated in a multi-employer pension covering the part time employees in lieu of social security. In 2005 it was discovered that the plan administrator misappropriated some of the funds that belong to employees of the District. The District was able to recover \$44,739 from the pension plan. The total loss that has not been recovered is approximately \$47,000 plus the amount of interest to the plan participants that is yet to be calculated. At September 30, 2017, the District estimates its liability regarding these funds is \$10,055. This estimate assumes a reasonable rate of growth that ranged from 4.76% to 3.57% for the years 2004 through 2017.

12. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The District incurred unanticipated expenditures in excess of appropriations in expenditure classifications for which the budget was not revised.

Excess of expenditures over appropriations for the year ended September 30, 2017 were as follows:

	<u>Excess Expenditures</u>
General Fund:	
Food and merchandise	\$ 34,404
Insurance	10,662
Maintenance	10,344
Memberships	1,401
Employee incentives	109
Office expenses	15,194
Professional and special services	78,554
Rents and leases	9,925
Special district services	26,876
Utilities	47,680
Taxes and assessments	1,002
Debt service	1,838
Structures and improvements	256,518
Equipment	69,491
Aquatic Center	554,102

13. SUBSEQUENT EVENTS

The District's management evaluated its September 30, 2017 financial statements for subsequent events through March 5, 2018, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY
INFORMATION**

TRUCKEE-DONNER RECREATION AND PARK DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET (NON-GAAP) AND ACTUAL
GENERAL FUND
SEPTEMBER 30, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Tax and assessments	\$ 4,788,142	\$ 4,788,142	\$ 4,850,957	\$ 62,815
District services	2,929,951	2,929,951	3,166,850	236,899
Donations	75,600	75,600	112,083	36,483
Grants	71,936	71,936	291,337	219,401
Interest	25,000	25,000	34,407	9,407
Increase (Decrease) in FMV of cash and cash equivalents	-	-	(30,550)	(30,550)
Total revenues	<u>7,890,629</u>	<u>7,890,629</u>	<u>8,425,084</u>	<u>534,455</u>
EXPENDITURES				
Employee services	4,471,002	4,471,002	4,066,957	404,045
Communications	33,900	33,900	33,448	452
Food and merchandise	70,745	70,745	105,149	(34,404)
Household	42,500	42,500	34,601	7,899
Insurance	88,000	88,000	98,662	(10,662)
Maintenance	170,750	170,750	181,094	(10,344)
Memberships	13,844	13,844	15,245	(1,401)
Employee incentives	500	500	609	(109)
Office expenses	112,555	112,555	127,749	(15,194)
Professional and special services	431,069	431,069	509,623	(78,554)
Publications	28,675	28,675	21,341	7,334
Rents and leases	40,250	40,250	50,175	(9,925)
Small tools and supplies	226,790	226,790	195,525	31,265
Special district services	152,580	152,580	179,456	(26,876)
Transportation and travel	102,848	102,848	88,436	14,412
Utilities	426,300	426,300	473,980	(47,680)
Taxes and assessments	106,588	106,588	107,590	(1,002)
Debt service	1,430,233	1,430,233	1,432,071	(1,838)
Structures and improvements	75,600	75,600	332,118	(256,518)
Equipment	51,400	51,400	120,891	(69,491)
Aquatic Center	271,800	271,800	825,902	(554,102)
Total expenditures	<u>8,347,929</u>	<u>8,347,929</u>	<u>9,000,622</u>	<u>(652,693)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(457,300)</u>	<u>(457,300)</u>	<u>(575,538)</u>	<u>(118,238)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	285,500	285,500	285,279	(221)
Other uses	-	-	(2,151)	(2,151)
Total other financing sources (uses)	<u>285,500</u>	<u>285,500</u>	<u>283,128</u>	<u>(2,372)</u>
Net change in fund balance	(171,800)	(171,800)	(292,410)	(120,610)
Fund Balance - October 1, 2016	<u>3,689,005</u>	<u>3,689,005</u>	<u>3,689,005</u>	-
Fund balance - September 30, 2017	<u>\$ 3,517,205</u>	<u>\$ 3,517,205</u>	<u>\$ 3,396,595</u>	<u>\$ (120,610)</u>

See accompanying notes to required supplementary information.

TRUCKEE-DONNER RECREATION AND PARK DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET (NON-GAAP) AND ACTUAL
MITIGATION FUND
SEPTEMBER 30, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Mitigation fees	\$ 253,000	\$ 253,000	\$ 267,075	\$ 14,075
Interest	1,780	1,780	5,800	4,020
Increase (Decrease) in FMV of cash and cash equivalents	-	-	(6,494)	(6,494)
Total revenues	<u>254,780</u>	<u>254,780</u>	<u>266,381</u>	<u>11,601</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(254,780)	(254,780)	(254,559)	221
Other sources	-	-	828	828
Total other financing sources (uses)	<u>(254,780)</u>	<u>(254,780)</u>	<u>(253,731)</u>	<u>1,049</u>
Net change in fund balance	-	-	12,650	12,650
Fund balance - October 1, 2016	<u>417,957</u>	<u>417,957</u>	<u>417,957</u>	<u>-</u>
Fund balance - September 30, 2017	<u>\$ 417,957</u>	<u>\$ 417,957</u>	<u>\$ 430,607</u>	<u>\$ 12,650</u>

TRUCKEE-DONNER RECREATION AND PARK DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET (NON-GAAP) AND ACTUAL
QUIMBY FEES FUND
SEPTEMBER 30, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Quimby fees	\$ 30,500	\$ 30,500	\$ 45,360	\$ 14,860
Interest	220	220	1,520	1,300
Increase (Decrease) in FMV of cash and cash equivalents	-	-	(376)	(376)
Total revenues	<u>30,720</u>	<u>30,720</u>	<u>46,504</u>	<u>15,784</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(30,720)</u>	<u>(30,720)</u>	<u>(30,720)</u>	<u>-</u>
Net change in fund balance	-	-	15,784	15,784
Fund balance - October 1, 2016	<u>18,021</u>	<u>18,021</u>	<u>18,021</u>	<u>-</u>
Fund balance - September 30, 2017	<u>\$ 18,021</u>	<u>\$ 18,021</u>	<u>\$ 33,805</u>	<u>\$ 15,784</u>

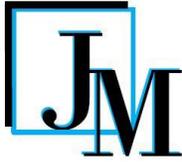
TRUCKEE-DONNER RECREATION AND PARK DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2017

1. PURPOSE OF SCHEDULES

A. Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP) and Actual

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Directors to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund, Mitigation Fund and Quimby Fees Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

OTHER INDEPENDENT AUDITOR'S REPORT



James Marta & Company LLP

Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Truckee-Donner Recreation and Park District
Truckee, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Truckee-Donner Recreation and Park District (the "District"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 5, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

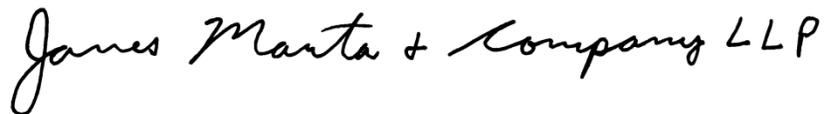
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
March 5, 2018