Livermore Area Recreation and Park District

Staff Report

TO:	Chair Furst and Board of Directors
FROM:	Mathew Fuzie, General Manager
PREPARED BY:	Jeffrey Schneider, Finance Manager Lynn Loucks, Accounting Supervisor
DATE:	May 29, 2019
SUBJECT:	District Audit for Fiscal Year 2017-2018

RECOMMENDATION: That the Board of Directors accept the Fiscal Year 2017-2018 District Audit.

BACKGROUND: District auditors, James Marta & Company, LLP, conducted an annual audit of the District's financial reporting and processes for fiscal year 2017-18 and their work is reflected in **Attachment A** ("Independent Auditor's Report") and **Attachment B** ("Communication with Those Charged with Governance").

AUDIT RESULTS:

1. James Marta & Company conducted a comprehensive and thorough examination of our financial records, policies and procedures and did so in an open, constructive manner in working with LARPD Finance.
2. The District received a clean audit. No deficiencies in internal controls were identified and the financial statements included in Attachment A represent, fairly, the financial position of the District.
3. Of note, however, is a material adjustment associated with how the District has been accounting for developer fees (resulting from legislation, referred to as AB1600) that are administered by the City of Livermore and shared by the District and the City, in the case of public parks. Please see the Management Discussion and Analysis section of the attached Independent Auditor's Report **(Attachment A)** for a more detailed discussion of this item.
4. James Marta & Company made several recommendations to change processes with which we agree. Please see the attached Management Letter (**Attachment C**) for details.

One of the fundamental purposes of an audit is to have an independent qualified third party (auditor) examine our financial records and procedures and to attest to their reliability. Our auditor's opinion for fiscal year ending June 30, 2018, is at the top of page two (1) of the Independent Auditor's Report:

> "In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general fund and the aggregate remaining fund information of the Livermore Area Recreation & Park District as of June 30, 2018, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America."

James Marta & Company's audit included assessing the District's internal controls for the purpose of expressing their opinion on the financial statements. The auditor's comment is favorable:

> "…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."

FINANCIAL SNAPSHOT:

An extract form the Management Discussion and Analysis section of the attached Independent Auditor's Report (pages 4-8) provides a snapshot of the Fiscal Year 2017-2018 Financial Results:

- The District's operating surplus for 2017-18 was $1,265,402 (excluding capital improvement program (CIP) related income and outlays and extraordinary items), a result that exceeded the Final Budget (reflecting mid-year Budget adjustments and that reflected a $201,941 net operating surplus) by $1,063,461 for the year.
    - Operating revenue was $21,626,551, or $546,926 (2.6%) above the Final FY17-18 Budget. Revenue from Programs and Services of $10,309,369 was $219,744 (2.2%) above the Final Budget, while Tax revenues of $11,317,182 were $327,182, or 3.5%, above the Final Budget.
    - Operating expense, including capital equipment, was $20,361,149, or $516,535 (2.5%) below the Final Budget, largely a result of lower than budgeted spending on salaries and benefits.

Attachments:

A. Financial Statements with Independent Auditor's Report
B. Communication with Those Charged with Governance
C. Management Letter

ATTACHMENT A - ITEM 5.1

LIVERMORE AREA RECREATION AND PARK DISTRICT

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2018

JAMES MARTA & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

701 HOWE AVENUE, E3
SACRAMENTO, CA

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

LIVERMORE AREA RECREATION AND PARK DISTRICT

JUNE 30, 2018

BOARD OF DIRECTORS

Name	Office	Term Expires
Maryalice Faltings	Chair	2018
David Furst	Vice Chair	2018
Jan Palajac	Director	2020
Philip Pierpoint	Director	2018
Beth Wilson	Director	2020

* * * *

General Manager
Mathew Fuzie

LIVERMORE AREA RECREATION AND PARK DISTRICT

JUNE 30, 2018

TABLE OF CONTENTS

	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis	4
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements	
Balance Sheet – Governmental Funds	11
Reconciliation of the Governmental Funds Balance Sheet To the Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	14
Notes to the Financial Statements	15
REQUIRED SUPPLEMENTARY INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – General Fund	39
Schedule of District's Proportionate Share of Net OPEB Liability	41
Schedule of Proportionate Share of Net Pension Liability	42
Schedule of Pension Contributions	42
Footnotes to Required Supplementary Information	43
SUPPLEMENTARY INFORMATION	
Kidango Contract – Schedule of Revenues and Expenses	44

LIVERMORE AREA RECREATION AND PARK DISTRICT

JUNE 30, 2018

TABLE OF CONTENTS

OTHER INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed In Accordance With Government Auditing Standards 45

James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Tax, and Consulting

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Livermore Area Recreation and Park District
Livermore, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the general fund and the aggregate remaining fund information of the Livermore Area Recreation and Park District (the "District"), as of and for the year ended June 30, 2018, 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, 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.

701 Howe Avenue Suite E3, Sacramento, California 95825 Phone: (916) 993-9494 Fax: (916) 993-9489
e-mail: dbecker@jpmcpa.com www.jpmcpa.com

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general fund and the aggregate remaining fund information of the Livermore Area Recreation and Park District as of June 30, 2018, and the respective changes in financial position 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, Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, Schedule of District's Proportionate Share of Net OPEB Liability, Schedule of Proportionate Share of Net Pension Liability, and Schedule of Pension Contributions 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Kidango Contract – Schedule of Revenues and Expenses is supplementary information presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information, which consists of the Kidango Contract – Schedule of Revenues and Expenses, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We have applied certain limited procedures to the 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2018 the District adopted new accounting guidance, GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The District has not restated the actual and pro forma effect of the restatement on the financial statements as of and for the year ended June 30, 2017. This data is not readily available due to an actuary study not being prepared in accordance with GASB 75 for measurement dates prior to June 30, 2017. Our opinion is not modified with respect to this matter.

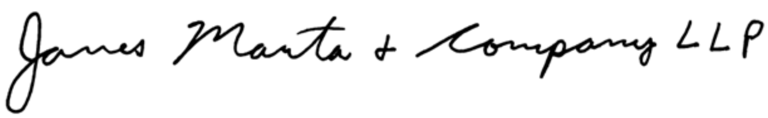
The effects of this restatement are described in Note 1 to the basic financial statements. The implementation of GASB 75 required the District to recognize its unfunded actuarial accrued liability as its net OPEB liability, causing a decrease in the net position in the current year. The District currently funds this obligation on a pay-as-you go basis. The District anticipates that its ongoing funding and current resources are sufficient to meet its obligations as they come due.

Prior Period Restatement

As discussed in Note 1 to the financial statements, the District identified assets recorded in its financial statements in error. The District has not restated the actual and pro forma effect of the restatement on the financial statements as of and for the year ended June 30, 2017. Our opinion is not modified with respect to this matter.

<u>Other Reporting Required by *Government Auditing Standards*</u>

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2019 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
May 24, 2019

MANAGEMENT’S DISCUSSION AND ANALYSIS

Livermore Area Recreation & Park District's (District or District's) annual financial report includes management's discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2018.

FINANCIAL HIGHLIGHTS

- The District's operating surplus for 2017-18 was $1,265,402 (excluding capital improvement program (CIP) related income and outlays and extraordinary items), a result that exceeded the Final Budget (reflecting mid-year Budget adjustments and that reflected a $201,940 net operating surplus) by $1,084,918 for the year.
    - Operating revenue was $21,626,551, or $546,927 (2.6%) above the Final FY17-18 Budget. Revenue from Programs and Services of $10,309,369 was $219,745 (2.2%) above the Final Budget, while Tax revenues of $11,317,182 were $327,182, or 3.0%, above the Final Budget.
    - Operating expense, including capital equipment, was $20,361,149, or $516,535 (2.5%) below the Final Budget, largely a result of lower than budgeted spending on salaries and benefits.

- A significant change in how the District reports funds from developer fees (resulting from legislation, referred to as AB1600) that are administered by the City of Livermore and shared by the District and the City, in the case of public parks, is the most material element of the audit results for FY17-18. These funds are intended for capital improvement programs in response to development projects that will impact service levels for public infrastructure, which includes, but is not limited to, Park and Recreation infrastructure. In previous financial statements, the District presented the total of developer fees received by the City in its Restricted Funds amount. While for years the use of AB1600 funds has been largely associated with the District and not the City, the District was in error in reporting the total amount of AB1600 fees received by the City regardless of the extent to which those funds had been used by the District. The District should have reported only its share of actual AB1600 fees that resulted from the District's AB1600-eligible project spending and subsequent reimbursement from the City of those funds.
    - As a result of the District's conversations with our Audit Partner and in conjunction with the City's Finance team, the District has revised its reporting to reflect only AB1600 funds received as reimbursement for active, AB1600-eligible project spending. For FY17-18, the resulting adjustment is a reduction of Restricted Fund balances and Current Assets of $12,915,655.

- As a result of the aforementioned adjustment to Restricted Fund reporting to correctly represent AB1600 transactions, the District's Net Position decreased by $14,085,317 and now sits at $83,676,152, which happens to coincide with the net value of the District's Capital Assets, which total $83,743,383.

- The net pension liability at June 30, 2018 was $7,228,288, a decrease of $1,416,408 versus June 30, 2017 that is a result of the District's reduced share of the Alameda County Employees' Retirement Association's (ACERA) total net pension liability (see Note 5 in audited financial report for details). It should be noted, however, that the District will see increased contributions to the ACERA program associated with its declining active payroll base versus the population of retirees, currently estimated at an annual expense impact, on-going, of approximately $390,000.

USING THIS ANNUAL REPORT

This annual report consists of Management's Discussion and Analysis, and Financial Statements. The Financial Statements also include notes that explain in more detail some of the information contained in those statements.

Required Financial Statements

The District's financial statements report financial information using accounting methods similar to those used by private sector companies based on Generally Accepted Accounting Principles (GAAP). The Statement of Net Position includes all District assets and liabilities, and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). It also provides the basis for evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District.

All of the fiscal year's revenues and expenses are reported in the Statement of Activities. This statement measures the success of the District's operations over the past year.

FINANCIAL ANALYSIS OF THE DISTRICT

The Statement of Net Position and the Statement of Activities report information about the District activities to show whether the District's overall financial position has improved or deteriorated. These two statements report the net position of the District and changes in the net position.

Statement of Net Position

	June 30, 2018	June 30, 2017	Amount Increase (Decrease)	Percent Increase (Decrease)	June 30, 2016
Current and Other Assets	$ 11,039,509	$ 22,345,169	$ (11,305,660)	(51%)	$ 19,498,330
Capital Assets, Net	83,743,383	85,076,380	(1,332,997)	(2%)	85,748,643
Total Assets	94,782,892	107,421,549	(12,638,657)	(12%)	105,246,973
Deferred outflows related to pension	3,447,064	3,236,536	210,528	7%	3,509,845
Current and Other Liabilities	2,544,972	2,159,838	385,134	18%	1,784,226
Net Pension Liability	7,228,288	8,644,696	(1,416,408)	(16%)	9,288,497
Net OPEB Liability	116,763	-	116,763	n/a	
Total Liabilities	9,890,023	10,804,534	(914,511)	(8%)	11,072,723
Deferred inflows related to pension	4,663,781	2,092,082	2,571,699	123%	1,146,716
Investment in Capital Assets, Net	83,743,383	85,076,380	(1,332,997)	(2%)	85,748,643
Restricted Funds	323,832	13,049,475	(12,725,643)	(98%)	11,478,456
Unrestricted Net Position	(391,063)	(364,386)	(26,677)	7%	(689,720)
Total Net Position	$ 83,676,152	$ 97,761,469	$ (14,085,317)	(14%)	$ 96,537,379

The District's overall financial condition is strong with only $2,544,972 in current liabilities, $7,228,288 in net pension liability, and no long-term debt. The correction to Restricted Fund balances (and also reflected in the Current and Other Assets line for FY17-18) that is associated with the life-to-date correction of $12,915,655 for our accounting for AB1600 fee balances, should be considered when comparing the current year results with prior periods that have not been restated.

The following Statement of Activities outlines changes in the District's net position by reporting revenue and expenses, plus any extraordinary items and prior period adjustments:

Statement of Activities

	June 30, 2018	June 30, 2017	Amount Increase (Decrease)	Percent Increase (Decrease)	June 30, 2016
Property Tax Revenue	$ 11,317,182	$ 11,105,172	$ 212,010	2%	$ 9,809,444
Charges for Services	8,797,250	8,394,869	402,381	5%	7,715,982
Operating Contributions & Grants	1,512,119	1,385,603	126,516	9%	1,410,453
Capital Contributions & Grants	1,412,706	2,829,688	(1,416,982)	(50%)	5,210,683
Total Revenues	$ 23,039,257	$ 23,715,332	$ (676,075)	(3%)	$ 24,146,562
Parks & Recreation Expenses	$ 23,543,311	$ 23,360,189	$ 183,122	1%	$ 21,662,440
Interest	-	-	-		-
Total Expenses	$ 23,543,311	$ 23,360,189	$ 183,122	1%	$ 21,662,440
Extraordinary Item	-	100,882	(100,882)	(100%)	401,363
Change in Net Position	(504,054)	456,025	(960,079)	(211%)	2,885,485
Net Assets, Beginning	97,761,469	96,537,379	1,224,090	1%	93,651,894
Prior Period Adjustment	(12,915,655)	768,065	(13,683,720)	(1,782%)	-
Change in Accounting Principle	(665,608)		(665,608)	n/a	
Net Assets, Ending	$ 83,676,152	$ 97,761,469	$ (14,085,317)	(14%)	$ 96,537,379

Comparing results for the year-ended June 30, 2018 with prior years is difficult given that the District's Capital Contributions for prior years do not reflect adjustments to our accounting for AB1600 fees held by the City of Livermore. Instead, these adjustments are embedded in the Prior Period Adjustment figure of $12,915,655. Had we restated prior period results, the Capital Contributions and Total Revenue lines for the year ended June 30, 2017 would have been $1,864,900 lower than the unadjusted numbers reported above, and revenues for the year ended June 30, 2016 would have been $4,651,600 lower than the unadjusted numbers shown above. In other words, if prior periods were restated to reflect appropriate accounting for AB1600 fees held by the City and not yet invoiced for actual project activity, as has been reflected in reporting for the current year, our total revenue trend would be more representative of our actual experience and far more favorable.

In addition, the 2% increase in Property tax revenues is understated as a result of the onset of year-end accruals in FY16-17 for current year activity that had not previously been captured (resulting in a one-time, positive, impact of $494,000. Without this change in FY16-17, the year-over-year increase in Property Tax revenues would have been $706,000, or 7%. Going forward, the District will continue to accrue for current year property tax receipts that have yet to be received as these funds can be estimated with a high degree of confidence.

- Charges for services increased $402,381 (5%). The largest revenue increase was in Extended Student Services (ESS), (+$347,065) due to higher enrollment, while increases were realized in nearly every area of the District's service offerings.
- Grants, largely associated with the District's Youth Services programs but which also includes a $200,000 open space grant, grew by $126,516 (9%), mostly as a result of contractual increases and enrollment associated with the Kidango program that supports early learning for low-income families.

Total Operating Expenses, including CIP outlays and entries related to Net Pension expense, were $23,543,311 or $183,122 (1%) higher than the prior year, as increases in salary and benefits and capital equipment costs were offset by reductions in maintenance, services and supplies, and net pension liability expense (actual less accrued). Of note:

- Salaries & Benefits increased $592,714 (4%) due to a cost of living adjustment, step increases, increases in health benefit costs and workers' compensation premiums, and additional staff to support program growth;
- Utilities increased $124,697 due to higher water use and modest energy price increases;
- District Special Expenses, a conglomeration of program-specific spending, decreased $283,612 versus prior year, largely in relation to the election year outlays in FY16-17 that were not required in the off-year of FY17-18;
- Maintenance decreased $398,946, or 30%, as the District's prior year focus on deferred maintenance items was supplanted by the onset of significant capital project activity; and
- Capital outlays for grounds, structures, improvements and equipment increased $321,373 and amounted to $1,865,124 for FY17-18.
- The combination of net pension expense reduction and the collective result of changes in a number of operating accounts amounts to a decrease of $173,104 versus prior year.

The accounting adjustment reported in the current year of $665,608 is related to accounting changes (GASB 75) for Other Post Employment Benefits, the District's contribution to retirees' health plan that is funded through excess returns (beyond target earnings) of the ACERA pension fund and is NOT dependent, directly, on ACERA pension contributions; Relevant law: the 1937 County Employees Retirement Law of 1937 (CERL), which allows ACERA to transfer funds contributed by the District to the 401(h) program back to the District's Advance Reserve Account - as such these funds are treated as a pension contribution by the District (eg, no adjustment to the District's ACERA pension contribution is required in order to fund the 401(h) program). The ACERA Board cannot authorize and make payments to retirees after the related funds are exhausted, so no unfunded liability exists in relation to OPEB.

CAPITAL ASSETS

As of June 30, 2018, the District had $141,119,720 invested in capital assets and $83,743,383 in net capital assets after accumulated depreciation. The following table illustrates changes from the prior year:

	June 30, 2018	June 30, 2017	Amount Increase (Decrease)	Percent Increase (Decrease)	June 30, 2016
Land	$ 52,817,819	$ 52,817,819	$ -	0%	$ 52,817,819
Buildings	40,615,435	40,615,435	-	0%	39,969,598
Park Improvements	42,437,680	42,145,012	292,668	1%	41,182,301
Equipment	3,518,950	3,272,591	246,359	8%	2,862,774
Construction in Progress	1,729,836	800,695	929,141	116%	781,655
Capital Assets at Cost	$ 141,119,720	$ 139,651,552	$ 1,468,168	1%	$ 137,614,147
Less: Accumulated Depreciation	(57,376,337)	(54,575,172)	(2,801,165)	(5%)	(51,865,504)
Capital Assets, Net	$ 83,743,383	$ 85,076,380	$ (1,332,997)	(2%)	$ 85,748,643

Total capital assets increased by $1,468,168 during the fiscal year 2017-18. Construction in Progress includes outlays for several projects, such as Ravenswood upgrades (roofs), Arroyo Del Valle Trail Renovation, and engineering and design work for several playground renovation projects. Capital asset additions included improvements at Livermore Downs ($202,561) and covered Arena Fencing ($74,500). Capital Equipment purchases totaled $460,823, which included tractor loaders, parking machines at Sycamore, a new sound system at Cresta Blanca conference room at the RLCC, a turf groomer and several replacement vehicles. The net increase in Equipment of $246,359 reflects the aforementioned asset acquisitions less the value of assets that were written off (the largest being design and engineering work related to Garaventa Wetlands, which amounted to $173,488).

BUDGETARY PROCESS

In its commitment to fiscal responsibility, the District adopts an annual operating budget that reflects a zero-based budgeting approach that is applied to all elements of the District's operating plan for the upcoming fiscal year, and a three-year Capital Improvement Program (CIP) for capital projects that are prioritized by the District's Board of Directors.

REQUESTS FOR FINANCIAL INFORMATION

This financial report provides the public and business associates with a general overview of District finances, and demonstrate the District's fiscal accountability for the money it receives. If you have any questions about this report, or need additional financial information, please contact the Administrative Services Manager:

Jeffrey Schneider, Administrative Services Manager
Livermore Area Recreation & Park District
4444 East Avenue
Livermore, CA 94550
(925) 373-5716
jschneider@larpd.org

BASIC FINANCIAL STATEMENTS

LIVERMORE AREA RECREATION AND PARK DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2018

	Governmental Activities
ASSETS	
Cash and investments (Note 2)	
Available for operations	$ 9,265,576
Petty cash	6,210
Available for restricted programs	323,832
Accounts receivable	1,432,863
Prepaid expenses	11,028
Capital assets, net of accumulated depreciation (Note 3)	83,743,383
Total Assets	94,782,892
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions (Note 5)	3,233,984
Deferred outflows related to OPEB (Note 6)	213,080
Total Deferred Outflows of Resources	3,447,064
LIABILITIES	
Accounts payable	1,209,536
Accrued salaries and wages	476,218
Accrued liabilities	171,420
Unearned revenue	45,633
Net pension liability (Note 5)	7,228,288
Net OPEB liability (Note 6)	116,763
Accrued compensated absences	642,165
Total Liabilities	9,890,023
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions (Note 5)	3,882,705
Deferred inflows related to OPEB (Note 6)	781,076
Total Deferred Inflows of Resources	4,663,781
NET POSITION	
Net investment in capital assets	83,743,383
Restricted	323,832
Unrestricted	(391,063)
Total Net Position	$ 83,676,152

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

LIVERMORE AREA RECREATION AND PARK DISTRICT

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

		Program Revenues			Net (Expense) Revenue and Change in Net Position
Functions/Programs	**Expenses**	**Charges For Services**	**Operating Contributions and Grants**	**Capital Contributions and Grants**	**Governmental Activities**
Governmental activities:					
Parks and Recreation	$ 23,543,311	$ 8,797,250	$ 1,512,119	$ 1,412,706	$ (11,821,236)
		General revenues:			
		Property taxes			11,317,182
		Total general revenues			11,317,182
		Change in net position			(504,054)
		Net position - July 1, 2017, as orginally reported			97,761,469
		Prior period adjustment (Note 1T)			(12,915,655)
		Change in accounting principle (Note 1S)			(665,608)
		Net position - July 1, 2017, restated			84,180,206
		Net position - June 30, 2018			$ 83,676,152

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

LIVERMORE AREA RECREATION AND PARK DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2018

	General Fund
ASSETS	
Cash and investments (Note 2)	
Available for operations	$ 9,265,576
Petty cash	6,210
Available for restricted programs	323,832
Accounts receivable	1,432,863
Prepaid expenses	11,028
Total Assets	$ 11,039,509
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	$ 1,209,536
Accrued salaries and wages	476,218
Accrued liabilities	171,420
Unearned revenue	45,633
Total Liabilities	1,902,807
Fund Balances (Note 8):	
Nonspendable	11,028
Restricted	323,832
Unassigned	8,801,842
Total Fund Balance	9,136,702
Total Liabilities and Fund Balance	$ 11,039,509

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

LIVERMORE AREA RECREATION & PARK DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

FOR THE YEAR ENDED JUNE 30, 2018

Total fund balances - governmental funds		$ 9,136,702
Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:		
Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pension are reported.		
Deferred outflows of resources relating to pensions		3,233,984
Deferred inflows of resources relating to pensions		(3,882,705)
Deferred outflows and inflows of resources relating to OPEB: In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported.		
Deferred outflows of resources relating to OPEB		213,080
Deferred inflows of resources relating to OPEB		(781,076)
Capital Assets: In governmental funds only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.		
Capital assets at historical cost	141,119,720	
Accumulated depreciation	(57,376,337)	
Capital assets, net		83,743,383
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:		
Net pension liability		(7,228,288)
Net OPEB liability		(116,763)
Compensated absences		(642,165)
Total net position - governmental activities		$ 83,676,152

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

LIVERMORE AREA RECREATION AND PARK DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund
REVENUES	
Taxes	$ 11,317,182
Earned income	10,309,369
Capital development	1,412,706
Total revenues	23,039,257
EXPENDITURES	
Salaries and employee benefits	13,796,279
Services and supplies	650,619
Maintenance	948,587
Utilities	1,706,213
Professional service	892,610
Communications	131,541
Transportation	124,047
Training & Conferences	39,827
District legal expense	131,333
District special expense	172,808
Insurance	286,053
Instructor and sports officials	378,030
Rents and leases	296,519
Field Trips & Events	145,511
Finance Charge and Interest	114,032
Licensing	26,717
Publications and Legal	10,016
Memberships	33,186
Miscellaneous	3,347
Total operating expenditures	19,887,275
Capital outlay	1,865,124
Total expenditures	21,752,399
Net change in fund balance	1,286,858
Fund balance - July 1, 2017, as originally reported	20,765,499
Prior Period Adjustment (Note 1T)	(12,915,655)
Fund balance - July 1, 2017, as restated	7,849,844
Fund balance - June 30, 2018	$ 9,136,702

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

LIVERMORE AREA RECREATION AND PARK DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Net change in fund balances		$ 1,286,858
Amounts reported for governmental activities in the Statement of Activities are different because of the following:		
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.		
Capital outlay	$ 1,682,632	
Depreciation expense	(3,015,629)	(1,332,997)
Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and earned was:		(61,997)
Pensions: In government funds, pension costs are recognized when employer contributions are made in the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:		(376,767)
OPEB: In government funds, OPEB costs are recognized when employer contributions are made in the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between accrual-basis OPEB costs and actual employer contributions was:		(19,151)
Change in net position of governmental activities		$ (504,054)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION

The Livermore Area Recreation and Park District was organized in 1947 to provide parks and recreation for the incorporated and unincorporated areas of Livermore, California. An elected five-member Board of Directors who is served by a full-time General Manager and staff governs the District.

The financial statements of the Livermore Area Recreation and Park District are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

B. BASIS OF PRESENTATION

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the District. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities.

The government-wide statement of net position presents information on all of the District’s assets, deferred outflow of resources and liabilities and deferred inflow of resources, with the difference between the two presented as net position. Net position is reported as one of three categories: net investment in capital asset; restricted or unrestricted.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District’s governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are, therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

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 specifically identified by function and is included in the direct expense function.

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.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met. Expenses are recorded when liabilities are incurred.

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 120 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, such as property taxes, are recognized when received.

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.

D. FUND ACCOUNTING

The accounts of the District are organized on the basis of funds or account groups, 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 has one fund as follows:

D. FUND ACCOUNTING (CONTINUED)

Governmental Fund:

General Fund is the general operating fund of the District. It is used to account for all transactions except those required or permitted by law to be accounted for in another fund.

E. CASH AND CASH EQUIVALENTS

For purposes of the statement of net position/balance sheet, the District considers all short-term highly liquid investments, including restricted assets, and amounts held with the fiscal agent to be cash and cash equivalents. Amounts held with the fiscal agent and investments held are available on demand to the District.

F. CAPITAL ASSETS

Capital assets, which can include property, facilities and equipment, are capitalized at total acquisition cost, provided such cost exceeds $5,000 and the expected useful life of the asset is more than one year. Depreciation is recorded on all depreciable capital assets on a straight-line basis over the following estimated useful lives:

Asset	Years
Buildings	30
Machines and Equipment	10
Parks and Recreation Areas	10
Vehicles	5

G. ACCOUNTS RECEIVABLE

The District's receivables include amounts due from other governmental agencies and consists mostly of AB 1600 development impact fees held by the City of Livermore. Management has determined that the District's receivables are fully collectible. Accordingly, no allowance for doubtful accounts has been made.

H. COMPENSATED ABSENCES

District employees are entitled to certain compensated absences based on the length of their employment, which will be paid to them upon separation from the District. Compensated absences accumulate and are accrued when they are earned and reported as a liability in the government-wide financial statements. The balance at June 30, 2018 was $642,165.

I. 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. See Note 8 for schedule of fund balances.

J. RESTRICTED NET POSITION

The government-wide statement of net position reports restricted net position at June 30, 2018 as $323,832, which is restricted by the funding source for the programs indicated.

K. PROPERTY TAXES

The District's property taxes are levied each calendar year on all taxable real property located in the District. Property taxes are recorded on an accrual basis of accounting. The County Assessor is responsible for assessment of all taxable real property within Alameda County. The County Clerk computes the annual tax for each parcel of real property and prepares tax books used by the County Collector as the basis for issuing tax bills to all taxpayers in the County. Property taxes are collected by the County Collector and are submitted to the County Treasurer, who remits to each unit its respective share of the collections. Taxes levied in one year become due and payable in two installments during the following year generally on November 1st and February 1st. The first installment is an estimated bill, and is approximately one-half of the prior year's tax bill. The second installment is based on the current levy, assessment, equalization, and certificate to limit levy, if any and any changes from the prior year will be reflected in the second installment bill.

L. USE OF ESTIMATES

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

M. RECLASSIFICATIONS

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements

N. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries insurance as described in Note 9.

O. INCOME TAXES

The District is a governmental entity and as such its income is exempt from taxation under Section 115(1) of the Internal Revenue Code and Section 23701d of the California and Taxation Code. Accordingly, no provision for federal or state income taxes has been made in the accompanying financial statements.

P. PENSIONS

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the net position of the Livermore Area Recreation and Park District's Alameda County Employees' Retirement Association (ACERA) plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by ACERA. 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.

Q. DEFERRED INFLOWS AND OUTFLOWS

In addition to assets, the balance sheet reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of resources that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Consequently, deferred inflows of resources represent an acquisition of resources that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Contributions made to the District's pension plans after the measurement date but before the fiscal year end are recorded as a deferred outflow of resources and will reduce the net pension liability in the next year.

Additional factors involved in the calculation of the District's pension expense and net pension liability include the differences between expected and actual experience, changes in assumptions, differences between projected and actual investment earnings, changes in proportion, and differences between the District's contributions and proportionate share of contributions. These factors are recorded as deferred outflows and inflows of resources and amortized over various periods.

As of June 30, 2018, the District had deferred outflows of $3,233,984 and deferred inflows of $3,882,705.

R. POSTEMPLOYMENT BENEFITS

For purposes of measuring the District's OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's OPEB Plan (OPEB Plan) and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

S. CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2017, the District adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), which supersedes GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This statement addresses accounting and financial reporting for other postemployment benefits offered by the District and requires various note disclosures (Note 7) and required supplementary information. As a result, beginning of year net position has been reduced and restated by $665,608.

T. PRIOR PERIOD RESTATEMENT

In the prior year, the District had confirmed and recorded AB 1600 restricted funds held by the City of Livermore that were restricted for capital projects. The District has since determined that these funds are not owned by the District, but are only available to the District on a reimbursement basis upon completion of projects and approval by the City of Livermore. Therefore, the cash with fiscal agent has been removed from the District's general ledger in the amount of $12,915,655 and recorded as a restatement of beginning fund balance and beginning net position.

2. CASH AND INVESTMENTS

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

The District's cash balances at June 30, 2018:

Alameda County Treasurer - General	$	8,898,577
US Bank - General Account		692,552
US Bank - Merchant Card Account		(1,721)
Petty Cash		6,210
Total Cash and Cash Equivalents	$	9,595,618

Cash and investments are presented in three categories on the statement of net position at June 30, 2018:

Cash and investments		
Available for operations	$	9,265,576
Petty cash		6,210
Available for restricted programs		323,832
Total Cash and investments	$	9,595,618

Pooled Funds

The District maintains substantially all of its cash in the Alameda 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.

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 Alameda County Treasurer may invest in derivative securities. However, at June 30, 2018, the Alameda County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

2. CASH AND INVESTMENTS (CONTINUED)

Deposits - Custodial Credit Risk

The carrying amount of the District's accounts with US Bank at June 30, 2018 was $690,831 and the bank balance was $792,049. Deposits held in banks are insured up to $250,000 by the Federal Depository Insurance Corporation. Should deposits exceed the insured limits, the balance is covered by collateral held by the bank in accordance with California law requiring the depository bank to hold collateral equal to 110% of the excess government funds on deposit. This collateral must be in the form of government-backed securities. All cash held by financial institutions at June 30, 2018 was fully insured or collateralized.

3. PROPERTY AND EQUIPMENT

Capital assets activity for the year ended June 30, 2018, was as follows:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Governmental Activities				
Capital Assets, not being depreciated:				
Land	$52,817,819	$ -	$ -	$52,817,819
Construction in progress	800,695	1,403,133	(473,992)	1,729,836
Total Capital Assets, not being depreciated	53,618,514	1,403,133	(473,992)	54,547,655
Capital assets, being depreciated:				
Buildings	40,615,435	-	-	40,615,435
Park Improvements	42,145,012	292,668	-	42,437,680
Equipment	3,272,591	460,823	(214,464)	3,518,950
Total Capital Assets, being depreciated	86,033,038	753,491	(214,464)	86,572,065
Accumulated Depreciation				
Buildings	21,913,628	1,207,427	-	23,121,055
Park Improvements	30,653,112	1,416,773	-	32,069,885
Equipment	2,008,432	391,429	(214,464)	2,185,397
Total Accumulated Depreciation	54,575,172	3,015,629	(214,464)	57,376,337
Net Capital Assets being depreciated	31,457,866	(2,262,138)	-	29,195,728
Capital Assets, net	$85,076,380	$ (859,005)	$ (473,992)	$83,743,383

Depreciation expense of $3,015,629 was all charged to the Parks and Recreation function.

4. LONG- TERM LIABILITIES

Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the year ended June 30, 2018 is as follows:

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018	Due Within One Year
Net Pension Liability	$ 8,644,696	$ -	$ 1,416,408	$ 7,228,288	$ -
Net OPEB Liability	665,608	-	548,845	116,763	-
Compensated Absences	580,168	61,997	-	642,165	-
Total	$ 9,890,472	$ 61,997	$ 1,965,253	$ 7,987,216	$ -

Net Pension Liability

Net pension liability is accrued in accordance with the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. Employee Retirement Systems and the related pension liabilities are discussed further in Note 5 to the basic financial statements.

Net OPEB Liability

Net OPEB liability is accrued in accordance with the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. Other postemployment benefit plan and the related OPEB liability are discussed further in Note 6 to the basic financial statements.

Operating leases

The District has entered into various operating leases that extend beyond the current fiscal year. Lease expenses incurred for the year ended June 30, 2018 were $97,322. Future minimum lease payments under these agreements are as follows:

Year Ended June 30	Lease Payments
2019	$ 93,934
2020	60,874
2021	58,091
2022	52,058
2023	5,638
2024-2028	28,190
2029-2031	14,095
Total	312,880
*Less Lease Buyout	(59,191)
Net Total	$ 253,689

4. LONG- TERM LIABILITIES (CONTINUED)

*Per terms of lease agreement with Shamrock Office Solutions, $111,000 was received by the District to be used for the payoff of lease agreement with De Lage Landen existing contract. As of June 30, 2018, the remaining amount held was $59,191.

5. EMPLOYEE RETIREMENT SYSTEM

Plan Description

Plan Administration

The District contributes to the Alameda County Employees' Retirement Association (the system), a cost-sharing multiple employer, defined benefit, public employee retirement system. The system provides service retirement, disability, death, and survivor benefits to plan members and beneficiaries. The County of Alameda administers the Plan under provisions of the County Employees Retirement Law of 1937. Alameda County Employees' Retirement Association issues a separate comprehensive annual financial report. Copies of the annual financial report may be obtained by visiting their website at www.acera.org.

Benefits Provided

Membership for employees is effective on the first day of employee’s hire in an ACERA covered position. The first date of employment is the date of entry into ACERA membership. As of this date of entry, payroll deductions for retirement contributions begin and service credit for each hour of work is earned.

Any new member who becomes a member on or after January 1, 2013 is placed into Tier 4 and is subject to the provisions of California Public Employees’ Pension Reform Act of 2013 (PEPRA), California Government Code 7522 et seq. and Assembly Bill (AB) 197.

General members enrolled in Tiers 1 or 3 are eligible to retire once they attain the age of 70 regardless of service or at age 50 with five or more years of retirement service credit and a total of 10 years of qualifying membership. A non-Tier 4 General member with 30 years of service is eligible to retire regardless of age. General members enrolled in Tier 4 are eligible to retire once they have attained the age of 52 and have acquired five years of retirement service credit, or at age 70 regardless of service.

The retirement benefit the member will receive is based upon age at retirement, final average compensation, years of retirement service credit and retirement plan and tier.

5. EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	ACERA		
General Tier	**1**	**3**	**4**
Hire date	Various	On or after October 1, 2008	On or after January 1, 2013
Benefit formula	2% @ 57	2.5% @ 55	2.5% @ 67
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	57	55	67
Monthly benefits, as a % of eligible compensation	varies	varies	varies
Required employee contribution rates	varies	varies	8.76%
Required employer contribution rates	28.32%	27.59%	23.12%

Contributions

Livermore Area Recreation and Park District contributes to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from ACERA's actuary after the completion of the annual actuarial valuation. Members are required to make contributions to ACERA regardless of the retirement plan or tier in which they are included.

For the year ended June 30, 2018 and 2017, employer contributions by the District to ACERA were $1,049,843 and $1,189,646, respectively.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the net pension liability of $7,228,288.

Livermore Area Recreation and Park District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of December 31, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016 rolled forward to June 30, 2018. Livermore Area Recreation and Park District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2018 and 2017 is shown in the following table:

5. EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

	ACERA
Proportion - June 30, 2017	0.385%
Proportion - June 30, 2018	0.359%
Change	-0.026%

For the year ended June 30, 2018, the District recognized pension expense of $1,362,085. At June 30, 2018, the District deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	ACERA	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 733,209	$ -
Changes in proportion and differences between employer's contributions and proportionate share of contributions	49,685	165,804
Changes of assumptions or other inputs	2,220,108	207,239
Net excess of actual over projected earnings on pension plan investments	-	2,038,849
Difference between expected and actual experience in the Total Pension Liability	230,982	1,470,813
Total	$ 3,233,984	$ 3,882,705

The amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date of December 31, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Deferred Outflows of Resources	Deferred (Inflows) of Resources	Deferred Outflows/(Inflows) of Resources
2019	255,447	396,607	(141,160)
2020	464,686	721,472	(256,786)
2021	1,174,675	1,823,801	(649,126)
2022	851,492	1,322,027	(470,535)
2023	(245,524)	(381,201)	135,677
Thereafter	-	-	-

5. EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Actuarial Assumptions

Actuarial Assumptions – The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

	ACERA
Valuation Date	December 31, 2016
Measurement Date	December 31, 2017
Actuarial Cost Method	Entry Age Actuarial Cost Method
Actuarial Assumptions	
Discount Rate	7.25%
Inflation	3.00%
Payroll Growth Rate	3.75%
Projected Salary Increase	General: 8.30% to 3.90% vary by service, including inflation
Investment Rate of Return [1]	7.25%
Mortality	Headcount-Weighted RP-2014 (RPH-2014) Healthy Annuitant Mortality Tables, projected generationally with the two-dimensional MP-2016 projection scale

[1] Net of pension plan investment expense, including inflation

<u>Discount Rate</u>

The discount rate used to measure the Total Pension Liability was 7.25% as of June 30, 2018 and 7.60% as of June 30, 2017. Our understanding is that Article 5.5 of the Statute, which authorizes the allocation of 50% of excess earnings to the SRBR, does not allow for the use of a different investment return assumption for funding than is used for interest crediting. In order to reflect the provisions of Article 5.5, we have treated future allocations to the SRBR as an additional outflow against the Plan's Fiduciary Net Position in the GASB crossover test, as mentioned earlier in Section 1. Again, we are estimating that the additional outflow would average approximately 0.60% of assets over time, based on the results of our stochastic modeling of the 50% allocation of future excess earnings to the SRBR.

5. EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Discount Rate (continued)

The projection of cash flows used to determine the discount rate assumes plan member contributions will be made at the current member contribution rates, and that employer contributions will be made at rates equal to the actuarially determined contribution rates8 plus additional future contributions that would follow from the future allocation of excess earnings to the SRBR. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Also, while we have included the $77.1 million in the Contingency Reserve plus $8.6 million from the deferred investment gains that will be used to restore the Contingency Reserve to 1% of total assets in developing the NPL as of December 31, 2017, such amounts have been excluded in developing the projected employer contributions. Based on those assumptions, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability as of both December 31, 2017 and December 31, 2016.

The long-term expected rate of return on pension plan investments7 was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption for the December 31, 2017 valuation are summarized below:

Asset Class	Target Allocation	Long- Term (Arithmetic) Expected Real Rate of Return
Domestic Large Cap Equity	22.40%	5.75%
Domestic Small Cap Equity	5.60%	6.37%
Developed International Equity	19.50%	6.89%
Emerging Markets Equity	6.50%	9.54%
U.S. Core Fixed Income	11.25%	1.03%
High Yield Bonds	1.50%	3.99%
International Bonds	2.25%	0.19%
TIPS	2.00%	0.98%
Real Estate	8.00%	4.47%
Commodities	3.00%	3.78%
Hedge Funds	9.00%	4.30%
Private Equity	9.00%	7.60%
	100.0%	

5. EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

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 the Plan, calculated using the discount rate for the 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.

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Plan's Net Pension Liability	$ 13,015,550	$ 7,228,288	$ 2,535,587

Pension Plan Fiduciary Net Position

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

Payable to the Pension Plan

At June 30, 2018, the District had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

6. OTHER POSTEMPLOYMENT BENEFITS

General Information about the OPEB Plan

Plan administration. The Alameda County Employees' Retirement Association (ACERA) was established by the Alameda County Board of Supervisors in 1947. ACERA is administered by the Board of Retirement and governed by the County Employees' Retirement Law of 1937 (California Government Code Section 31450 et. seq.). ACERA is a cost-sharing, multiple employer, defined benefit, public employee retirement system whose main function is to provide retirement benefits to the employee members of the District.

The management of ACERA is vested with the ACERA Board of Retirement. The Board consists of nine members and two alternates. The County Treasurer is a member of the Board of Retirement by law and is elected by the general public. Four members are appointed by the Board of Supervisors, one of whom may be a County Supervisor. Two active members are elected by the General members; one active member and one alternate are elected by the Safety members; one retired member and one alternate are elected by the retired members. All members of the Board of Retirement serve terms of three years except for the County Treasurer whose term runs concurrent with his term as County Treasurer.

Benefits provided. ACERA provides benefits to eligible employees.

6. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Membership Eligibility

Service Retirees — Retired with at least 10 years of service (including deferred vested members who terminate employment and receive a retirement benefit from ACERA).

Disabled Retirees — A minimum of 10 years of service is required for non-duty disability. There is no minimum service requirement for duty disability.

Benefit Eligibility

1. Monthly Medical Allowance

Service Retirees — For retirees, a Maximum Monthly Medical Allowance of $540.44 per month is provided, effective January 1, 2017 and through December 31, 2017. For the period January 1, 2018 through December 31, 2018, the maximum allowance will remain at the 2017 levels for retirees who are not purchasing individual insurance through the Medicare exchange. For those purchasing individual insurance through the Medicare exchange, the Monthly Medical Allowance will be $414.00 per month for 2017 and will remain at the 2017 levels for 2018. These Allowances are subject to the following subsidy schedule:

Completed Years of Service	Percentage Subsidized
10-14	50%
15-19	75%
20+	100%

Disabled Retirees — Non-duty disabled retirees receive the same Monthly Medical Allowance as service retirees.
Duty disabled retirees receive the same Monthly Medical Allowance as those service retirees with 20 or more years of service.

2. Medicare Benefit Reimbursement Plan

The SRBR reimburses the full Medicare Part B premium to qualified retired members. To qualify for reimbursement, a retiree must:

- Have at least 10 years of ACERA service,
- Be eligible for Monthly Medical Allowance,
- Provide proof of enrollment in Medicare Part B.

6. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

3. Dental and Vision Plans

The SRBR provides dental and vision benefits for retirees only. The maximum combined monthly dental and vision premiums will be $46.90 in 2017 and $47.91 in 2018. The eligibility for these premiums is as follows:

Service Retirees	Retired with at least 10 years of service
Disabled Retirees	For non-duty disabled retirees, 10 years of service is required. For grandfathered non-duty disabled retirees (with effective retirement dates on or before January 31, 2014), there is no minimum service requirement. For duty disabled retirees, there is no minimum service requirement.

Note about the Monthly Medical Allowance

The maximum levels of subsidy are reviewed by the Board annually and are not indexed to increase automatically. In addition, the Monthly Medical Allowance can only be used to pay for retiree medical benefits. There is no benefit payable to beneficiaries, current spouses, former spouses or dependents. If the actual cost of coverage is less than the Monthly Medical Allowance, the difference is not paid in cash or applied towards the coverage for beneficiaries, current spouses, former spouses or dependents.

Deferred Benefit

Members who terminate employment with 10 or more years of service before reaching Pension eligibility commencement age may elect deferred MMA and/or dental/vision benefits.

Death Benefit

Surviving spouses/domestic partners of members who die before the member commences retiree health benefits may enroll in an ACERA group medical plan on the date that the member would have been eligible to commence benefits. The surviving spouse/domestic partner must pay 100% of the premium. Because premiums for surviving spouses/domestic partners under age 65 include active participants for purposes of underwriting, the surviving spouses/domestic partners receive an implicit subsidy from the actives, which creates a liability for the SRBR.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the District reported a liability of $116,763 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of December 31, 2017, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2017, the District's proportion was 0.425 percent, which was a decrease of 0.067 from its proportion measured as of December 31, 2016 (0.492 percent).

6. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

For the year ended June 30, 2018, the District recognized OPEB expense of $19,151. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience in Total OPEB Liability	$ -	$ 78,145
Changes of assumptions or other inputs	213,080	-
Net excess of actual over projected earnings on OPEB plan investments	-	625,635
Changes in proportion and differences between District contributions and proportionate share of contributions	-	77,296
District contributions subsequent to the measurement date	-	-
Total	$ 213,080	$ 781,076

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended June 30	Total Deferred Outflows/(Inflows) of Resources
2019	$ (146,261)
2020	(146,261)
2021	(146,261)
2022	(146,261)
2023	10,148
Thereafter	6,900
Total	$ (567,996)

Actuarial assumptions. The actuarial assumptions used for the December 31, 2017 valuation were based on the results of the experience study for the period from December 1, 2013 through November 30, 2016 that were approved by the Board effective with the December 31, 2017 valuation and the health care trend assumptions used in the sufficiency study for the SRBR as of December 31, 2017. The following actuarial assumptions were applied to all periods included in the measurement:

6. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

December 31, 2017

Inflation	3.00%
Investment rate of return	7.25%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	
Non-Medicare medical plan	Graded from 7.00% to ultimate 4.50% over 10 years
Medicare medical plan	Graded from 6.50% to ultimate 4.50% over 8 years
Dental/Vision and Medicare Part B	4.50%

The TOL as of December 31, 2016 was determined by rolling forward the TOL from actuarial valuations as of December 31, 2015. The actuarial assumptions used to develop the December 31, 2016 TOL are based on the health care trend assumptions used in the sufficiency study for the SRBR as of December 31, 2016. The following actuarial assumptions were applied to all periods included in the measurement.

December 31, 2016

Inflation	3.25%
Investment rate of return	7.60%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	
Non-Medicare medical plan	Graded from 6.50% to ultimate 4.50% over 8 years
Medicare medical plan	Graded from 6.50% to ultimate 4.50% over 8 years
Dental/Vision	4.50%
Medicare Part B	28.44%, then 4.50% ultimate

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin.

6. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption for the December 31, 2017 valuation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Large Cap Equity	22.40%	5.75%
Domestic Small Cap Equity	5.60%	6.37%
Developed Interational Equity	19.50%	6.89%
Emerging Markets Equity	6.50%	9.54%
U.S. Core Fixed Income	11.25%	1.03%
High Yield Bonds	1.50%	3.99%
International Bonds	2.25%	0.19%
TIPS	2.00%	0.98%
Real Estate	8.00%	4.47%
Commodities	3.00%	3.78%
Hedge Funds	9.00%	4.30%
Private Equity	9.00%	7.60%
Total	100.00%	

Discount rate: The discount rate used to measure the Total OPEB Liability was 7.25% as of December 31, 2017 and 7.60% December 31, 2016. The projection of cash flows used to determine the discount rate assumed benefit are paid out of current OPEB SRBR assets. Based on those assumptions, the SRBR OPEB plan's Fiduciary Net Position was projected to be available to make all projected future benefits payments for current plan members. Therefore the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the Total OPEB Liability as of December 31, 2017 and December 31, 2016.

Sensitivity of the Net OPEB Liability to changes in the discount rate. The following presents the Net OPEB Liability (NOL) of ACERA as of December 31, 2017, calculated using the discount rate of 7.25%, as well as what ACERA's NOL would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
District's proportionate share of the collective net OPEB liability	$ 676,349	$ 116,763	$ (348,682)

6. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the Net OPEB Liability to changes in the healthcare cost trend rate. The following presents the Net OPEB Liability of ACERA as of December 31, 2017, as well as what ACERA's Net OPEB Liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	1% Decrease	Current Trend Rates	1% Increase
District's proportionate share of the collective net OPEB liability	$ (402,347)	$ 116,763	$ 755,708

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued ACERA financial report.

Payables to the OPEB plan. At June 30, 2018, the District had no outstanding amount of contributions to the OPEB plan required.

7. DEFERRED COMPENSATION

District employees may defer a portion of their compensation under District sponsored Deferred Compensation Plans created in accordance with Internal Revenue Code Section 457. Under these plans, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, and death or in an emergency as defined by the Plans.

The District has no liability for any losses which may be incurred by the Plans and does not participate in any gains, but it does have the duty of due care that would be required of an ordinary prudent investor. The District has a contract with Mass Mutual Financial Group to manage and invest the assets of the Plans. These administrators pool the assets of the Plans with those of other participants and do not make separate investments for the District. Plan assets are subject to agreements which incorporated changes in the laws governing deferred compensation plan assets and are held by a trust or for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under this new plan are not the District's property and are not subject to claims by general creditors of the District, they have been excluded from these financial statements.

8. FUND BALANCES

The District reports fund balances in accordance with Governmental Accounting Standards Board Statement No. 54. All fund balance categories are reported in the aggregate on the face of the balance sheet. All components of those fund balances and specific purposes are identified as follows:

	General Fund
Nonspendable:	
Prepaid Expenses	$ 11,028
Total Nonspendable	11,028
Restricted:	
Ravenswood Buckley Trust	278,102
Rotary for Teens	17,149
ESS	1,032
PAL	15,676
Marini Donation for Seniors	3,297
Senior Scholarships	3,442
Dependent Care Assistance Program	908
Quimby	4,226
Total Restricted	323,832
Unassigned:	
Unappropriated	8,801,842
Total Unassigned	8,801,842
Total Fund Balances	$ 9,136,702

9. JOINT VENTURE

The District is a member of the California Association for Park and Recreation Indemnity (CAPRI), a joint powers authority. The relationship between the District and CAPRI is such that CAPRI is not a component unit of the District for financial reporting purposes.

CAPRI provided liability, property and workers' compensation coverage for the District. CAPRI is governed by a Board consisting of representatives from member agencies. The Board controls their operations, including selection of management and approval of operating budgets, independent of any influence by the member agencies beyond their representation on the Board. Each member agency pays a contribution commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the joint powers authority. Full financial statements are available seperately from California Association for Park and Recreation Indemnity at 6341 Auburn Blvd., Suite A, Citrus Heights, CA 95621. Condensed information for CAPRI is as follows:

A. Entity	**CAPRI**
B. Purpose	To pool member contributions and realize the advantages of self-insurance.
C. Participants	As of June 30, 2018, 61 member districts.*
D. Governing Board	Seven representatives employed by members.
E. Payments for the Current Year	$ 920,947
F. Condensed Financial Information	June 30, 2018* (Audited)
Total Assets and Deferred Outflows	$ 23,934,562
Total Liabilities and Deferred Inflows	$ 17,463,890
Net Position	6,470,672
Total Liabilities and Net Position	$ 23,934,562
Total Revenues	$ 9,300,872
Total Expenses	(8,664,499)
Change in Net Position	$ 636,373
Member Agencies Share of Year-End Assets, Liabilities, or Net Position	**

* Most current information available. ** Has not been calculated.

10. CONTINGENT LIABILITIES

The District is a defendant in several lawsuits that have arisen in the normal course of business. While substantial damages are alleged in some of these actions, their outcome cannot be predicted with certainty. Sufficient data to arrive at an estimate of the possible loss or range of loss is not available at this time. Accordingly, no provision has been recorded.

11. 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 June 30, 2018 were as follows:

	Excess Expenditures
Salaries and employee benefits:	
Salaries	$ 14,022
Workers compensation insurance	40,618
Services and Supplies:	
Food	11,063
Small tools	3,819
Non-capital equipment	585
Maintenance:	
Structures	113,064
Utilities	78,148
Communications	14,281
Finance charge and interest	114,032
Instructor and sports officials	14,334
Memberships	2,618
Publications/ Legal Notice	2,966
Rents and leases:	
Equipment	23,113
Capital outlay:	
Structures and improvements	1,391,250

12. SUBSEQUENT EVENTS

District management has evaluated its June 30, 2018 financial statements for subsequent events through May 24, 2019, 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

LIVERMORE AREA RECREATION AND PARK DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variance with Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES				
Taxes:				
Property taxes	$ 9,495,000	$ 9,495,000	$ 9,775,270	$ 280,270
Special tax	1,495,000	1,495,000	1,517,820	22,820
Special tax interest	-	-	24,092	24,092
Total Taxes	10,990,000	10,990,000	11,317,182	327,182
Revenues other than taxes:				
Earned Income (Recreation Division)				
Fee classes	396,415	407,695	449,286	41,591
Adult sports	163,010	161,910	141,576	(20,334)
Aquatics	573,153	573,153	584,550	11,397
Camp Shelly	72,522	72,522	68,949	(3,573)
Park operations	605,152	535,152	509,189	(25,963)
Extended student services and childcare grants	5,026,497	5,015,201	5,049,467	34,266
Senior center	190,436	190,436	203,460	13,024
Preschool	423,530	423,530	431,853	8,323
Open space	512,836	512,836	535,041	22,205
Facility rentals	762,464	747,364	813,955	66,591
Youth sports	170,000	188,150	221,707	33,557
Believes program	149,505	149,505	149,317	(188)
Middle school program	540,309	588,252	620,512	32,260
Concessions	67,000	67,000	59,467	(7,533)
Outdoor facility rental	389,956	395,911	372,230	(23,681)
Other	61,007	61,007	98,810	37,803
Total Earned Income	10,103,792	10,089,624	10,309,369	219,745
Capital development revenue:				
Capital grants and contributions	-	-	452,583	452,583
City AB 1600 In-Lieu	-	-	960,123	960,123
Total Capital development revenue	-	-	1,412,706	1,412,706
Total Revenues	$ 21,093,792	$ 21,079,624	$ 23,039,257	$ 1,959,633

LIVERMORE AREA RECREATION AND PARK DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variance with Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
EXPENDITURES				
Salaries and employee benefits:				
Salaries	$ 10,119,011	$ 10,256,727	$ 10,270,749	$ (14,022)
Retirement	1,118,202	1,079,128	1,004,618	74,510
Workers compensation insurance	578,144	585,272	625,890	(40,618)
Employee group insurance	2,028,875	1,619,575	1,380,442	239,133
Employer FICA/Medicare	509,806	519,757	514,580	5,177
Total Salaries and employee benefits	14,354,038	14,060,459	13,796,279	264,180
Services and Supplies:				
Agriculture	143,632	143,632	123,514	20,118
Clothing	40,557	40,557	40,200	357
Household	115,358	115,358	111,194	4,164
Food	137,728	139,728	150,791	(11,063)
Office	103,556	108,556	74,910	33,646
Medical	27,020	31,020	27,791	3,229
Small tools	35,515	35,515	39,334	(3,819)
Non-capital equipment	80,450	82,300	82,885	(585)
Total Services and supplies	683,816	696,666	650,619	46,047
Maintenance:				
Structures	708,425	708,425	821,489	(113,064)
Equipment	184,620	179,620	127,098	52,522
Total Maintenance	893,045	888,045	948,587	(60,542)
Utilities	1,628,065	1,628,065	1,706,213	(78,148)
Professional service	954,453	1,014,953	892,610	122,343
Communications	117,260	117,260	131,541	(14,281)
Transportation	146,149	146,149	124,047	22,102
District legal expense	150,000	150,000	131,333	18,667
District special expense	313,815	318,815	172,808	146,007
Field Trips & Events	150,294	151,294	145,511	5,783
Finance Charges & Interest	-	-	114,032	(114,032)
Insurance	292,132	292,132	286,053	6,079
Instructor and sports officials	348,696	363,696	378,030	(14,334)
Training and Conferences	69,986	74,986	39,827	35,159
Licensing	25,190	28,190	26,717	1,473
Memberships	30,568	30,568	33,186	(2,618)
Publications/Legal Notice	4,050	7,050	10,016	(2,966)
Rents and leases:				
Equipment	89,430	91,430	114,543	(23,113)
Structures	225,000	225,000	181,976	43,024
Total Rents and leases	314,430	316,430	296,519	19,911
Miscellaneous	89,121	89,121	3,347	85,774
Total operating expenditures	20,565,108	20,373,879	19,887,275	486,604
Capital Outlay:				
Structures and improvements	-	-	1,391,250	(1,391,250)
Equipment	517,805	503,805	473,874	29,931
Total Capital outlay	517,805	503,805	1,865,124	(1,361,319)
Total expenditures	21,082,913	20,877,684	21,752,399	(874,715)
Net change in fund balance	10,879	201,940	1,286,858	1,084,918
Fund balance - Beginning of year	20,765,499	20,765,499	20,765,499	-
Prior Period Adjustment (Note 13)	(12,915,655)	(12,915,655)	(12,915,655)	-
Fund balance - July 1, 2017, as restated	7,849,844	7,849,844	7,849,844	-
Fund balance - End of year	$ 7,860,723	$ 8,051,784	$ 9,136,702	$ 1,084,918

LIVERMORE AREA RECREATION AND PARK DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	2018
District's proportion of the collective net OPEB liability (asset)	0.42%
District's proportionate share of the collective net OPEB liability (asset)	$ 116,763
District's covered payroll	$ 4,254,668
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered payroll	2.74%
Plan fiduciary net position as a percentage of the total OPEB liability	97.33%

The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

*This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

LIVERMORE AREA RECREATION AND PARK DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND SCHEDULE OF PENSION CONTRIBUTIONS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Schedule of Proportionate Share of the Net Pension Liability

Year Ended June 30,	District's proportion of the Net Pension Liability	District's proportionate share of Net Pension Liability	Covered payroll	District's proportionate share of the net pension liability as a percentage of its covered payroll*	Plan's Fiduciary Net Position as a percentage of the Total Pension Liability
2018	0.35900%	$ 7,228,288	$ 4,312,042	167.63%	82.99%
2017	0.38500%	$ 8,644,696	$ 4,487,952	192.62%	77.76%
2016	0.48300%	$ 9,288,497	$ 4,203,012	221.00%	75.39%
2015	0.47129%	$ 8,203,447	$ 3,919,778	209.28%	77.26%

Schedule of Pension Contributions

Year Ended June 30,	Contractually required contribution*	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	District's covered payroll	Contributions as a percent of covered payroll*
2018	$ 1,049,843	$ 1,049,843	$ -	$ 4,312,042	24.35%
2017	$ 1,189,646	$ 1,189,646	$ -	$ 4,487,952	26.51%
2016	$ 1,199,303	$ 1,199,303	$ -	$ 4,203,012	28.53%
2015	$ 1,145,344	$ 1,145,344	$ -	$ 3,919,778	29.22%

The amounts presented for each fiscal year were actuarially determined at December 31 of the prior year and rolled forward to the measurement date.

*This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

Budgetary Comparison Schedule

Through the budget, the District board sets the direction of the District, allocates its resources and establishes its priorities. The annual budget serves from July 1st to June 30th, and is a vehicle that accurately and openly communicates these priorities to the community and other public agencies. Additionally, it establishes the foundation of effective financial planning by providing resources for planning that permit the evaluation of District performance.

The original budget represents the budget adopted by the board in September 2017 and the final budget reflects the mid-year budget adjustments adopted by the board in March 2018.

The District's adopted budget includes designated fund balances to be used in current year operations as well as a contingency expense for unexpected increases in expenditures. These amounts are not in accordance with generally accepted accounting principles and are therefore not included in the budgets presented in the required supplementary information.

Schedule of the District's Proportionate Share of the Net OPEB Liability

In determining the Plan's fiduciary net position, only 50% of the current deferred market gains that would be available to the OPEB Plan are included.

The Net OPEB Liability decreased from 2016 to 2017 primarily as a result of favorable investment return during calendar year 2017 offset by the effect of the changes in the actuarial assumptions.

Schedule of Proportionate Share of the Net Pension Liability

In determining the Plan's fiduciary net position, only 50% of the current deferred market gains that would be available to the Pension Plan are included.

The Net Pension Liability decreased from 2016 to 2017 primarily as a result of favorable investment return during calendar year 2017 offset somewhat by the effect of the changes in the actuarial assumptions.

SUPPLEMENTARY INFORMATION

KIDANGO CONTRACT
SCHEDULE OF REVENUES AND EXPENSES

JUNE 30, 2018

KIDANGO, INC.
Livermore Area Recreation and Park District (LARPD)
Financial Report July 1, 2017 - June 30, 2018

Revenue

Payments from Kidango to LARPD	$	649,792
Kidango Parent Fees from certified families to LARPD	$	24,593
Sub-total, Total Kidango-related Payments	**$**	**674,385**
Non-Kidango fees (non-certified children)		3,051,400
TOTAL REVENUE - Certified and non-Certified - at Kidango sites	**$**	**3,725,785**

Expenses - LARPD Sites that support Kidango

1000 Certificated Salaries		1,252,160
2000 Classified Salaries		1,355,758
3000 Employee Benefits		895,194
4000 Books and Supplies		145,479
5000 Services and Other Operating Expenses		242,397
6100/6200 Other Approved Capital Outlay		-
6400 New Equipment *(program-related)*		-
6500 Equipment Replacement *(program-related)*		-
Depreciation or Use Allowance		-
Start-Up Expenses *(* service level exemption)		-
Indirect Costs (Rate:___________%; included in Admin cost)		-
TOTAL EXPENSES - Kidango Sites	**$**	**3,890,988**
Less: Expenses Paid By Livermore Area Recreation & Park District		3,241,196
Total Expenses Claimed for Reimbursement to Kidango	**$**	**649,792**

OTHER INDEPENDENT AUDITOR'S REPORT

James Marta & Company LLP
Certified Public Accountants

Accounting Auditing Tax and Consulting

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
Livermore Area Recreation and Park District
Livermore, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Livermore Area Recreation and Park District (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 24, 2019.

Internal Control Over Financial Reporting

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

701 Howe Avenue Suite E3, Sacramento, California 95825 Phone: (916) 993-9494 Fax: (916) 993-9489
e-mail: dbecker@jpmcpa.com www.jpmcpa.com

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.

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
May 24, 2019

James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Board of Directors
Livermore Area Recreation and Park District
Livermore, California

We have audited the basic financial statements of Livermore Area Recreation and Park District (the "District") for the year ended June 30, 2018 and have issued our report thereon dated May 24, 2019. Professional standards require that we communicate certain matters to you related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As communicated in our engagement letter dated June 26, 2018, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding internal controls and other matters noted during our audit in a separate letter to you dated May 24, 2019.

Planned Scope and Timing of the Audit

We were unable to conduct our audit consistent with the planned scope and timing we previously communicated to you, as account reconciliations and year-end closing procedures were not completed by the District timely enough to allow us to complete the audit as originally scheduled.

During the course of the audit, a confirmation was sent to the City of Livermore in order to confirm the AB 1600 funds balance during the year. Per discussion with the City of Livermore staff and the District's staff, the funds held by the City were not owned by the District, but are only available to the District on a reimbursement basis upon completion of projects and approval by the City. Therefore, the cash with fiscal agent has been removed from the District's general ledger in the amount of $12,915,655 and recorded as a restatement of beginning fund balance and beginning net position.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements. There have been no initial selections of accounting policies and no changes in significant accounting policies or their application for the year ended June 30, 2018. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. The most significant estimates are those regarding pension liability and the the collectability of receivables.

Management's estimate of pension liability is based on an actuarial study performed by independent third parties. We evaluated the key factors and assumptions used to develop the estimates and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Management's estimate of the collectability of receivables is based on historical experience. We evaluated the key factors and assumptions used to develop the estimate of accounts receivable collectability and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. There were no uncorrected misstatements noted as a result of our audit procedures.

In addition, professional standards require us to communicate to you all material, corrected adjustments that were brought to the attention of management as a result of our audit procedures. All adjustments identified during the audit are shown in Attachment I as adjusting journal entries.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated May 24, 2019. See Attachment II.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Services

We prepared the following information for the State Controller's Office for the year ending June 30, 2018, based on information provided by management:

- Special Districts Financial Transactions Report

The performance of the above other services does not constitute an audit. Accordingly, we will provide no opinion on the Special Districts Financial Transactions Report.

We have assisted management in preparing the financial statements of the District in conformity with U.S. generally accepted accounting principles based on information provided by management.

Management's responsibilities for other services included designating qualified individuals with the skill, knowledge, and experience to be responsible and accountable for overseeing financial statement preparation and any other nonattest services we performed as part of this engagement. Management has represented that they have evaluated the adequacy and results of those services and is accepting responsibility for them.

Other Significant Findings or Issues

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the District, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors. See Attachment III for discussion of upcoming accounting changes that will affect the district going forward.

In addition to the financial audit, we performed agreed upon procedures on the appropriations limit under Article XIIIB of the California Constitution and issued a related report; prepared the Special Districts Financial Transactions Report for Livermore Area Recreation and Park District and Governments of Livermore Financing Authority; and prepared the financial statements of the District using information provided by management. Performance of these "agreed upon procedures" and issuance of the aforementioned reports does not constitute an audit, nor does it impair our independence.

This report is intended solely for the use of the Board of Directors and management of Livermore Area Recreation and Park District and is not intended to be and should not be used by anyone other than these specified parties.

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
May 24, 2019

LIVERMORE AREA RECREATION AND PARK DISTRICT

JUNE 30, 2018

ATTACHMENT I

Corrected Misstatements:

Adjusting Journal Entries

Adjusting Journal Entries JE # 1			
To adjust beginning fund balance to agree to PY ending fund balance. Amounts were booked to fund balance during the year.			
1082-001-000-000	USB Checks In-Transit	455	
4130-001-000-000	Workers Compensation	26,399	
5085-001-000-000	Miscellaneous Other Revenue	6	
5197-009-000-000	Full Cost Program Fees	5,500	
3300-001-000-000	General Fund Balance		32,357
5555-041-000-000	Miscellaneous		3
Total		**32,360**	**32,360**

Adjusting Journal Entries JE # 2			
DO NOT POST To book balances of pension-related items arising from the GASB 68 actuarial valuation as part of government-wide financial reporting			
4030	Auditor Account Deferred Outflows - Pension	3,233,984	
6000	Auditor Account Govt Wide Addtnl Equity	7,877,009	
5010	Auditor Account Net Pension Liability		7,228,288
5030	Auditor Account Deferred Inflows - Pension		3,882,705
Total		**11,110,993**	**11,110,993**

Adjusting Journal Entries JE # 3			
DO NOT POST To book balances of OPEB-related items arising from the GASB 75 actuarial valuation as part of government-wide financial reporting			
4040	Auditor Account Deferred Outflows - OPEB	213,080	
6000	Auditor Account Govt Wide Addtnl Equity	684,759	
5015	Auditor Account Net OPEB Liability		116,763
5040	Auditor Account Deferred Inflows - OPEB		781,076
Total		**897,839**	**897,839**

Adjusting Journal Entries JE # 4			
DO NOT POST To book balances of compensated absences as part of government-wide financial reporting			
6000	Auditor Account Govt Wide Addtnl Equity	642,165	
5020	Auditor Account Compensated Absences		642,165
Total		**642,165**	**642,165**

Adjusting Journal Entries JE # 5			
PBC To book an adjustment to accrued liabilities for Maintenance Service Center			
2477-001-000-000	Accrued Liabilities - MSC	24,041	
4477-007-000-000	Rent & Lease - Structures		24,041
Total		**24,041**	**24,041**

LIVERMORE AREA RECREATION AND PARK DISTRICT

JUNE 30, 2018

ATTACHMENT I

Adjusting Journal Entries JE# 7			
DO NOT POST To book balances of property & equipment and accumulated depreciation as part of government-wide financial reporting			
4010	Auditor Account Fixed Assets	141,119,720	
4020	Auditor Account Accumulated Depr		57,376,337
6000	Auditor Account Govt Wide Addtnl Equity		83,743,383
Total		**141,119,720**	**141,119,720**

Adjusting Journal Entries JE# 8			
Prior period adjustment to remove the AB1600 funds that are held by the City			
3130-959-000-106	Fund Balance - AB1600	12,915,655	
1134-001-000-000	AB1600 funds held @ COL for Capital Projects		12,915,655
Total		**12,915,655**	**12,915,655**

Adjusting Journal Entries JE# 9			
To adjust AB 1600 revenues recorded by both the City and the District			
5028-045-000-106	City AB 1600 In-Lieu Revenue Funds	3,410,819	
1134-001-000-000	AB1600 funds held @ COL for Capital Projects		3,410,819
Total		**3,410,819**	**3,410,819**

Reclassifying Journal Entries

Reclassifying Journal Entries JE# 6			
PBC to reclassify property tax revenues that were coded to AR - General instead of Accrued Revenue			
1190-001-000-000	Accrued Revenue	545,458	
1183-001-000-000	Accounts Receivable - General		545,458
Total		**545,458**	**545,458**

Proposed Journal Entries

None.

Livermore Area
Recreation and Park District
An independent special district

4444 East Avenue, Livermore, CA 94550-5053
(925) 373-5700 www.larpd.org

General Manager
Mathew L. Fuzie

MANAGEMENT REPRESENTATION LETTER

May 24, 2019

James Marta & Company LLP
Certified Public Accountants
Sacramento, California

This representation letter is provided in connection with your audit of the financial statements of the governmental activities, the general fund, and the aggregate remaining fund information of Livermore Area Recreation and Park District as of June 30, 2018 and for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, of the various opinion units of Livermore Area Recreation and Park District in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of May 24, 2019:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated June 26, 2018, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
- We acknowledge our responsibility for 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
- We acknowledge that we are responsible for distributing the issued report as well as the communication with governance letter and internal control letter to all governing board members.
- We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- The effects of uncorrected misstatements summarized in the attached schedule and aggregated by you during the current engagement are immaterial, both individually and in the aggregate, to the applicable opinion units and to the financial statements as a whole.
- We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the financial statements.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- We have reviewed and approved the adjusting and reclassifying journal entries reflected in the audit statements and Attachment A.
- All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
- All funds and activities are properly classified.
- All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* as amended, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
- All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
- All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
- All interfund and intra-entity transactions and balances have been properly classified and reported.
- Special items and extraordinary items have been properly classified and reported.
- Deposit and investment risks have been properly and fully disclosed.
- Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
- All required supplementary information is measured and presented within the prescribed guidelines.
- With regard to investments and other instruments reported at fair value:
  - The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
  - The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
  - The disclosures related to fair values are complete, adequate, and in accordance with U.S. GAAP.
  - There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

Information Provided

- We have provided you with:
  - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.

- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - Management;
  - Employees who have significant roles in internal control; or
  - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
- We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- Livermore Area Recreation and Park District has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- We have disclosed to you all guarantees, whether written or oral, under which Livermore Area Recreation and Park District is contingently liable.
- We have disclosed to you all nonexchange financial guarantees, under which we are obligated and have declared liabilities and disclosed properly in accordance with GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, for those guarantees where it is more likely than not that the entity will make a payment on any guarantee.
- For nonexchange financial guarantees where we have declared liabilities, the amount of the liability recognized is the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. Where there was no best estimate but a range of estimated future outflows has been established, we have recognized the minimum amount within the range.
- We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- There are no:
  - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
  - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
  - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62
  - Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).
- Livermore Area Recreation and Park District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
- We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

Required Supplementary Information

With respect to the required supplementary information accompanying the financial statements:

a. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with GASB.
b. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with GASB.
c. The methods of measurement or presentation have not changed from those used in the prior period.
d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

Supplementary Information in Relation to the Financial Statements as a Whole

With respect to the supplementary information accompanying the financial statements:

a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with GASB.
b. We believe the supplementary information, including its form and content, is fairly presented in accordance with GASB.
c. The methods of measurement or presentation have not changed from those used in the prior period.
d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.
e. When the supplementary information is not presented with the audited financial statements, management will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the entity of the supplementary information and the auditor's report thereon.
f. We acknowledge our responsibility to include the auditor's report on the supplementary information in any document containing the supplementary information and that indicates the auditor reported on such supplementary information.
g. We acknowledge our responsibility to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the entity of the supplementary information and the auditor's report thereon.

Use of a Specialist

We agree with the findings of specialists in evaluating the District's proportionate share of net pension and net OPEB liabilities and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

Pension and Postretirement Benefits

We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefit liabilities and costs for financial accounting purposes are appropriate in the circumstances.

Jeffrey Schneider, Administrative Services Manager

Upcoming Changes in Accounting Standards

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the District in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the District. For the complete text of these and other GASB standards, visit www.gasb.org and click on the "Standards & Guidance" tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

GASB Statement No. 83, Certain Asset Retirement Obligations
Effective for the fiscal year ending June 30, 2019

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

GASB Statement No. 84, Fiduciary Activities
Effective for the fiscal year ending June 30, 2020

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds.

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

GASB Statement No. 87, Leases
Effective for the fiscal year ending June 30, 2021

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

MANAGEMENT LETTER

To Management
Livermore Area Recreation and Park District
Livermore, California

We have recently completed the audit of the financial statements of Livermore Area Recreation and Park District and have issued our report thereon dated May 24, 2019. In planning and performing our audit of your financial statements for the period ended June 30, 2018, we applied generally accepted auditing standards (GAAS) as we considered your internal control over financial reporting as a basis for designing our auditing procedures. We did this for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of your internal controls.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Although our audit was not designed to provide assurance on the internal control structure and its operation, we noted certain matters that we are submitting for your consideration for the improvement of the Livermore Area Recreation and Park District accounting and financial reporting functions. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. We will review the status of these comments during our next audit engagement. This letter does not affect our report dated May 24, 2019, on the financial statements of the Livermore Area Recreation and Park District.

Current Year Recommendations

No current year recommendations

Status of Prior Year Recommendations

2016-3 Credit Cards

Expenses were incurred for a retirement party; however, there is not a written policy for this type of expense. Currently, there is an informal policy that allows up to $1,000 to be spent on retirement parties. We recommend that the district write a formal policy related to retirement parties' expenses, which would include allowable expenditures and the expense limit for a retirement party.

Status

Implemented

2017-1 Timely Reconciliation of Accounts

Accounting tasks such as monthly reconciliations play a key role in proving the accuracy of accounting data and information included in financial statements. Therefore, in order to provide more accurate and timely accounting information, we strongly recommend that Livermore Area Recreation and Park District establish more timely review and reconciliation policies and procedures as a customary part of the accounting process. This would involve monthly reconciliations of all accounts, making adjustments throughout the year that have typically been made at year-end only, and performing more frequent reviews of the general ledger throughout the year, including making any necessary adjustments.

Status

Implemented

2017-2 Timely and Accurate Financial Reports

We noted that Livermore Area Recreation and Park District 's accounting and reporting processes are being delayed. Delays in receiving timely and current financial information can significantly impact management's ability to effectively guide an organization. Critical areas such as financial analysis, budgetary control, and cash flow can all be negatively impacted. We strongly suggest the accounting department take whatever steps necessary to ensure that senior management and the Board receives current and accurate financial information on a timely basis. This may require that the accounting staff provide extra effort in the form of additional overtime in order to bring the current books and records up to date. If it is determined that the department is understaffed, steps should be taken to alleviate this problem so that work can remain current without an undue hardship on any one employee. Once up-to-date, the accounting staff must consistently provide management with the accurate financial reports and information necessary to effectively manage Livermore Area Recreation and Park District 's operations.

Status

Implemented

2017-3 Maintain a Detailed Schedule for Fixed Assets

Many fixed assets have been grouped together by the date of acquisition on the fixed assets control schedule. However, the fixed assets are physically in many different locations. The fixed asset schedules should be grouped by location and allow enough detail to give the District control over them. In addition, should a particular location be sold, the District would have detailed information to properly record the sale of the correct assets.

Status

Implemented

2017-4 Depreciation Calculations

Depreciation calculations for book purposes are currently prepared manually by the bookkeeper. This is extremely time consuming and costly and errors are easily made and not found. These calculations are well adapted to a software application for fixed assets and depreciation. This will free time for the bookkeeper to perform more important tasks, expedite the annual year end closing, as well as provide more accurate depreciation amounts for interim and year-end financial statements

Status

Implemented

2017-5 AB 1600 Funds

The AB 1600 funds balance as of June 30, 2017 did not agree to the City of Livermore records. LARPD contacted the City of Livermore and came to an agreement as to what the balance should have been as of June 30, 2017, which resulted in a prior period adjustment of $66,153. We recommend that management work with the City of Livermore to ensure that the District is receiving the correct reports and that the AB 1600 funds are reconciled each month.

Status

The balance of the AB 1600 funds was removed (through a prior period adjustment) in the current year as determined from the discussion with the City of Livermore staff and the District staff.

Management's Responses to Recommendations

Livermore Area Recreation and Park District responses to the recommendations above were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

We believe that the implementation of these recommendations will provide Livermore Area Recreation and Park District with a stronger system of internal accounting control while also making its operations more efficient. We will be happy to discuss the details of these recommendations with you and assist in any way possible with their implementation.

This report is intended solely for the information and use of the Board of Directors, management, and others within the district and is not intended to be and should not be used by anyone other than these specified parties.

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
May 24, 2019