

# **Livermore Area Recreation and Park District Staff Report**

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TO: Chair Faltings and Finance Committee

FROM: Mathew Fuzie, General Manager

PREPARED BY: Jeffrey Schneider, Administrative Services Manager

DATE: November 23, 2020

SUBJECT: Agenda Item 4: Fiscal Year 2019-2020 District Audit

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**RECOMMENDATION:** That the Finance Committee recommend that the Board of Directors accept the Fiscal Year 2019-2020 District Audit.

**BACKGROUND:** District auditors, James Marta & Company, LLP, conducted an annual audit of the District’s financial reporting and processes for fiscal year 2019-20 and their work is reflected in **Attachment A** (“Independent Auditor’s Report”).

**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. While the Auditor’s report reflects the use of full accrual accounting, the District’s regular budget and actual reporting to its Board is based on general fund accounting, though we isolate Capital Improvement Program (CIP) related income (AB1600 developer fees) and spending from on-going operations, as well as one-time funding from other sources, such as our on-bill-financing from PG&E, in our regular financial reviews. As such, the following bullet points outline the District’s operating results for the year-ended June 30, 2020 with a focus on operating and tax revenues and expenses exclusive of CIP inflows and outflows:
  - a. The District’s operating deficit for 2019-20 was \$1,130,887 (excluding CIP related income and outlays), a result that fell below the Final Budget

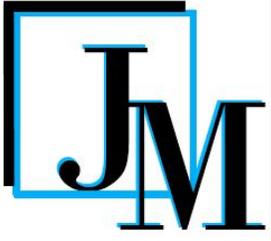
(reflecting mid-year Budget adjustments) by \$2,047,402 (the Final Budget reflected an operating surplus of \$916,515). The impact of the COVID-19 pandemic drove huge reductions in revenue from programs and services, and the District held off, initially, in reducing spending on salary and benefits until it became clear that the end of the pandemic was not near. Indeed, the District continued to pay staff, whose work had been shut down due to the virus, for their normally scheduled hours for approximately one month.

- b. Operating revenue from services and property/parcel taxes was \$20,172,592, or \$3,197,159 (14%) below the Final FY19-20 Budget of \$23,369,751. Revenue from programs and services of \$7,360,573 was \$3,034,945 (29%) below the Final Budget, while Tax revenues of \$12,792,351 were \$181,882 (1%) below the Final Budget.
  - c. Operating expense, including capital equipment but not CIP, was \$21,303,479, or \$1,149,757 (5%) below the Final Budget, as cost saving measures, including employee furloughs and non-labor spending reductions, were implemented in the last three months of the fiscal year.
4. CIP spending in FY19-20 of \$4,260,998 was significant, though down relative to last year, when spending levels reached historic levels (\$11,294,130) driven by the on-going work on the Four Playgrounds (May Nissen, Big Trees, Pleasure Island, and Jane Addams), the RLCC Aquatics Pool Deck repair, and the Energy Efficiency Measures investment in the RLCC.
- a. FY19-20 spending included \$2,528,417 to complete the Four Playgrounds, \$1,011,400 for the Sunset Park Playground renovation, and \$205,256 to complete the May Nissen Pool renovation.
  - b. The FY19-20 Final CIP spending Budget was \$5,575,234. The shortfall of actual spend vs the Final CIP Budget of \$1,314,236 is largely associated with the following: 1) work did not commence on miscellaneous trails associated with an anticipated Grant from the City of Livermore (\$600,000); 2) the Rodeo Stadium Infrastructure Improvement project (\$195,450) was rescheduled in consideration of the pandemic; 3) a halt was placed on capital spending for the Barn (\$200,000) as management considered alternative uses of the facility; and 4) actual spending was lower than budgeted for the last stages of the Four Playgrounds (\$219,143).
  - c. AB1600 developer fee reimbursements to LARPD amounted to \$3,960,703 for the year and were associated with the Four Playgrounds, Sunset, May Nissen Pool renovation, and several other budgeted projects.

5. 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, 2020, is at the top of page two 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, 2020, 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."
  
6. James Marta & Company's audit included assessing the District's internal controls for the purpose of expressing their opinion on the financial statements. In this regard, 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."

Attachment:

- A. Financial Statements with Independent Auditor's Report



**LIVERMORE AREA RECREATION AND PARK DISTRICT**

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

**FOR THE FISCAL YEAR ENDED**

**JUNE 30, 2020**

JAMES MARTA & COMPANY LLP  
CERTIFIED PUBLIC ACCOUNTANTS

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SACRAMENTO, CA

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WWW.JPMCPA.COM

**LIVERMORE AREA RECREATION AND PARK DISTRICT**

**JUNE 30, 2020**

**BOARD OF DIRECTORS**

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<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Jan Palajac	Chair	2020
Philip Pierpoint	Vice Chair	2022
David Furst	Director	2022
Maryalice Summer Faltings	Director	2022
Beth Wilson	Director	2020

\* \* \* \*

General Manager  
Mathew Fuzie

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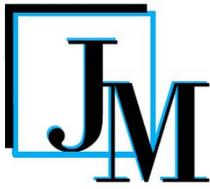
**LIVERMORE AREA RECREATION AND PARK DISTRICT**

**JUNE 30, 2020**

**TABLE OF CONTENTS**

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	<u>PAGE</u>
Independent Auditor’s Report	1
Management’s Discussion and Analysis	4
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-Wide Financial Statements	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements	
Balance Sheet – Governmental Funds	12
Reconciliation of the Governmental Funds Balance Sheet To the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	15
Notes to the Financial Statements	16
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – General Fund	40
Schedule of District’s Proportionate Share of Net OPEB Liability	42
Schedule of Proportionate Share of Net Pension Liability	43
Schedule of Pension Contributions	43
Footnotes to Required Supplementary Information	44
<b>SUPPLEMENTARY INFORMATION</b>	
Kidango Contract – Schedule of Revenues and Expenses	45
<b>OTHER INDEPENDENT AUDITOR’S REPORT</b>	
Independent Auditor’s Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	46



**James Marta & Company LLP**  
**Certified Public Accountants**

*Accounting, Auditing, Tax, and Consulting*

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**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, 2020, 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.

## **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, 2020, 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, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

## **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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated **DATE** 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.

**DRAFT**

James Marta & Company LLP  
Certified Public Accountants  
Sacramento, California

**DATE**

DRAFT

DRAFT

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

# LIVERMORE AREA RECREATION AND PARK DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

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Livermore Area Recreation and Park District's annual financial report includes management's discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2020.

### USING THIS ANNUAL REPORT

Management's Discussion and Analysis is meant to complement the Independent Auditor's Report. Together, these schedules and notes provide a view of the District's financial health and the results of its operations for the year-ended June 30, 2020.

### FINANCIAL HIGHLIGHTS

- While the Auditor's report reflects the use of full accrual accounting, the District's regular budget and actual reporting to its Board is based on general fund accounting, though we isolate Capital Improvement Program (CIP) related income (AB1600 developer fees) and spending from on-going operations, as well as one-time funding from other sources, such as our on-bill-financing from PG&E, in our regular financial reviews. As such, the following bullet points outline the District's operating results for the year-ended June 30, 2020 with a focus on operating and tax revenues and expenses exclusive of CIP inflows and outflows:
  - The District's operating deficit for 2019-20 was \$1,130,887 (excluding CIP related income and outlays), a result that fell below the Final Budget (reflecting mid-year Budget adjustments) by \$2,047,402 (the Final Budget reflected an operating surplus of \$916,515). The impact of the COVID-19 pandemic drove huge reductions in revenue from programs and services, and the District held off, initially, in reducing spending on salary and benefits until it became clear that the end of the pandemic was not near. Indeed, the District continued to pay staff, whose work had been shut down due to the virus, for their normally scheduled hours for approximately one month.
  - Operating revenue from services and property/parcel taxes was \$20,172,592, or \$3,197,159 (14%) below the Final FY19-20 Budget of \$23,369,751. Revenue from programs and services of \$7,360,573 was \$3,034,945 (29%) below the Final Budget, while Tax revenues of \$12,792,351 were \$181,882 (1%) below the Final Budget.
  - Operating expense, including capital equipment but not CIP, was \$21,303,479, or \$1,149,757 (5%) below the Final Budget, as cost saving measures, including employee furloughs and non-labor spending reductions, were implemented in the last three months of the fiscal year.
- CIP spending in FY19-20 of \$4,260,998 was significant, though down relative to last year, when spending levels reached historic levels (\$11,294,130) driven by the on-going work on the Four Playgrounds (May Nissen, Big Trees, Pleasure Island, and Jane Addams), the RLCC Aquatics Pool Deck repair, and the Energy Efficiency Measures investment in the RLCC.
  - FY19-20 spending included \$2,528,417 to complete the Four Playgrounds, \$1,011,400 for the Sunset Park Playground renovation, and \$205,256 to complete the May Nissen Pool renovation.

# LIVERMORE AREA RECREATION AND PARK DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

- The FY19-20 Final CIP spending Budget was \$5,575,234. The shortfall of actual spend vs the Final CIP Budget of \$1,314,236 is largely associated with the following: 1) work did not commence on miscellaneous trails associated with an anticipated Grant from the City of Livermore (\$600,000); 2) the Rodeo Stadium Infrastructure Improvement project (\$195,450) was rescheduled in consideration of the pandemic; 3) a halt was placed on capital spending for the Barn (\$200,000) as management considered alternative uses of the facility; and 4) actual spending was lower than budgeted for the last stages of the Four Playgrounds (\$219,143).
- AB1600 developer fee reimbursements to LARPD amounted to \$3,960,703 for the year and were associated with the Four Playgrounds, Sunset, May Nissen Pool renovation, and several other budgeted projects.

### FINANCIAL ANALYSIS OF THE DISTRICT

The financial statements and related notes contained herein are based upon full accrual accounting methods that are consistent with Generally Accepted Accounting Principles (GAAP).

- The Statement of Net Position outlines the difference between the District's assets and liabilities, and in doing so provides the basis for evaluating the capital structure of the District, its liquidity and financial flexibility.
- The Statement of Activities reflects all of the fiscal year's revenues, including those that are related to capital contributions (largely AB1600 developer fees), and expenses, including depreciation. This statement measures the success of the District's operations over the past year.

### Condensed Statement of Net Position

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Amount Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Current Assets	\$ 9,742,851	\$ 11,588,928	\$ (1,846,077)	-16%
Capital Assets, Net	92,644,274	92,087,043	557,231	1%
Total Assets	<u>102,387,125</u>	<u>103,675,971</u>	<u>(1,288,846)</u>	<u>-1%</u>
Deferred Outflows of Resources	6,039,485	8,176,823	(2,137,338)	-26%
Current Liabilities	1,463,398	3,481,582	(2,018,184)	-58%
Long-Term Liabilities	16,444,905	17,398,556	(953,651)	-5%
Total Liabilities	<u>17,908,303</u>	<u>20,880,138</u>	<u>(2,971,835)</u>	<u>-14%</u>
Deferred Inflows of Resources	3,467,634	1,531,669	1,935,965	126%
Net Investment in Capital Assets	91,133,644	92,087,043	(953,399)	-1%
Restricted Net Position	1,911,397	329,234		
Unrestricted Net Position	<u>(5,994,368)</u>	<u>(2,975,290)</u>	<u>(3,019,078)</u>	<u>101%</u>
Total Net Position	<u>\$ 87,050,673</u>	<u>\$ 89,440,987</u>	<u>\$ (3,972,477)</u>	<u>-3%</u>

The District added \$1,576,310 in long-term liabilities in the form of financing from PG&E (10 years at 0% interest) to partially fund its recently completed Energy Efficiency Measures project at its Robert Livermore Community Center, of which \$1,510,630 of principal remained on the books as of June 30, 2020. The remainder of its long-term liabilities is associated with \$737,394 of compensated balances (vacation and compensated time), and the Alameda County Employees' Retirement Association's (ACERA) pension and other post-employment benefits (OPEB), which amount to \$13,701,573 and \$495,308 respectively.

Of note is that the District's pension and OPEB liabilities are actually down from last year, when they reached \$15,804,862 and \$950,150 respectively. As noted last year, aside from the primary driver of the spike in these liabilities, the lower than expected investment performance, another factor influencing the increased level of retirement liabilities was a change made, effective in FY18-19, to isolate LARPD from the rest of the ACERA pool due to the declining active payroll in relation to the District's retiree population for its Tier 1 ACERA participants, which drove up the District's share of the overall net Pension liability as well as its contribution rates.

The District's current liabilities consist of \$774,621 in accounts payable (way down from prior year, when significant CIP-related project work remained in progress at year end), \$379,282 in accrued salaries and wages (associated with the last pay period of the year, which is not paid until the first month of the following fiscal year), \$128,834 in miscellaneous accrued liabilities (security deposits, workers compensation, etc.), and \$180,661 in deferred revenue (receipts for events that will occur in the following fiscal year).

### Condensed Statement of Activities

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Amount Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
<b>Program Revenues:</b>				
Charges for services	\$ 5,853,718	\$ 9,014,685	\$ (3,160,967)	-35%
Operating grants and contributions	1,506,855	1,535,994	(29,139)	-2%
Capital grant and contributions	3,987,682	8,955,696	(4,968,014)	-55%
Total program revenues	<u>11,348,255</u>	<u>19,506,375</u>	<u>(8,158,120)</u>	<u>-42%</u>
<b>General Revenues:</b>				
Property taxes	12,792,351	12,021,860	770,491	6%
Miscellaneous	19,668	-	19,668	100%
Total general revenues	<u>12,812,019</u>	<u>12,021,860</u>	<u>790,159</u>	<u>7%</u>
Total Revenues	<u>24,160,274</u>	<u>31,528,235</u>	<u>(3,190,106)</u>	<u>-23%</u>
<b>Program expenses:</b>				
Parks and recreation	<u>26,550,588</u>	<u>25,763,400</u>	<u>787,188</u>	<u>0%</u>
Change in Net Position	(2,390,314)	5,764,835	(8,155,149)	-141%
Net Position, Beginning	<u>89,440,987</u>	<u>83,676,152</u>	<u>5,764,835</u>	<u>7%</u>
Net Position, Ending	<u>\$ 87,050,673</u>	<u>\$ 89,440,987</u>	<u>\$ (2,390,314)</u>	<u>-3%</u>

Total District Revenues, including capital contributions, which is primarily associated with AB-1600 developer fees, are down 42% vs the previous year, as a result of the significant decrease in CIP project activity in the current period and AB1600 related funding of it (down \$4,968,014 versus last year) and the aforementioned impact of the COVID-19 pandemic on charges for services (down \$3,160,967 versus last year).

- Operating Revenues from Property and Parcel Taxes reached \$12,792,351, an increase of \$770,491, or 6% versus prior year. Property Taxes amounted to \$11,181,216, up \$733,852, or 7%, versus prior year. Parcel taxes grew to \$1,611,135, and were up \$36,639, or 2%, above the previous year, which is in line with the District's annual 2% maximum increase in its charge per equivalent dwelling unit (EDU).
- Charges for Programs/Services, excluding Grants (which are all associated with the Community Services department), were dramatically impacted by the COVID-19 pandemic, and at \$5,853,718 were down \$3,160,967, or 35%, versus prior year. Revenues in Community Services, excluding Grants, were \$4,044,738, which is \$1,586,275, or 28%, below the previous year. At \$1,368,532, Recreation department revenues were down \$1,441,199, or 51%, versus prior year, as revenues for facility rentals and all recreation programs were down across the board. Finally, the annualization of last year's mid-year discontinuation of the District's agreement with Zone 7 for weed abatement drove a \$95,563 reduction in Park Operations revenue versus prior year.
- Operating Contributions and Grants, largely associated with the District's Youth Services programs but which also includes a \$200,000 open space grant from the East Bay Regional Park District, remained relatively constant at \$1,506,855.
- In terms of absolute dollar change, the most significant change in year-over-year revenues came from Capital Contributions and Grants, which largely represents the AB1600 (developer fees) funds used to finance the majority of CIP project activity for projects that increase park resource capacity. At \$3,987,682, these funds declined by \$4,968,014 versus prior year, a reflection of the spike in AB1600-funded CIP activity in the prior year. Note that these funds are recorded as received and are not dependent upon the completion of CIP projects.

Total District Expenses, based on full accrual accounting (eg, including depreciation expense as opposed to one-time capital outlays and entries related to Net Pension and OPEB expense) were \$26,550,588 or \$787,188 (3%) higher than the previous year. This increase is driven largely by the impact of changes in net capital (additions less deletions) and depreciation versus prior year, and a one-time write-off of spend on projects that are no longer viable.

- Salaries & Benefits expenses totaled \$14,949,221, up \$213,353, or 1%, versus the previous year, as reductions in spending in response to the pandemic nearly offset the impact of cost of living and step increases to salaries that had gone into effect in July, 2019, and ACERA contribution rate increases.

- As reported above, Services and Supply expenses amounted to \$6,317,130, up \$106,317, or 2%, versus the previous year, but the District actually reduced its core services and supply spend materially during the year. What is driving the year-over year increase is an extraordinary write off of \$257,737 for professional services outlays that had been treated as works in progress on the balance sheet for capital projects that are no longer viable, including the RLCC Security and Alarm System, Barn Renovation, Robert Livermore little league field design, Bill Payne Master Plan. As well, the District added \$146,046 in vehicle lease expense in the current period with the onset of a program with Enterprise Fleet Management that greatly reduced the capital spend associated the replacement of aging vehicles).

## **CAPITAL ASSETS**

As of June 30, 2019, the District had \$156,782,447 invested in capital assets, a modest increase versus prior year, as capital additions were largely offset by increases in accumulated depreciation. The following table illustrates changes from the prior year:

	<b>June 30, 2020</b>	<b>June 30, 2019</b>	<b>Amount Increase (Decrease)</b>	<b>Percent Increase (Decrease)</b>
Land	\$ 52,817,819	\$ 52,817,819	\$ -	0%
Construction in Progress	1,695,837	8,717,559	(7,021,722)	-81%
Depreciable Assets	102,358,791	91,193,748	11,165,043	12%
Capital Asset at Cost	156,872,447	152,729,126	4,143,321	3%
Less Accumulated Depreciation	(64,228,173)	(60,642,083)	3,586,090	6%
Capital Assets, Net	<u>\$ 92,644,274</u>	<u>\$ 92,087,043</u>	<u>\$ 557,231</u>	1%

- At \$1,695,837, Construction in Progress is significantly below the prior year, reflecting the fact that major projects that had been in progress as of June 30, 2019 were completed in the current period (Jane Addams, Big Trees, Pleasure Island, and May Nissen). What remained in progress as of the current year end includes Sunset Park (\$1,209,885), Joe Michell ESS buildings (\$37,148), Rodeo Stadium Infrastructure improvements (\$44,851), and the Patterson Ranch Trail (\$72,505).
- Buildings increased by \$3,558,009, which includes the completed Energy Efficiency Measures project at the RLCC (\$2,583,330), the May Nissen Pool Renovaton (\$214,894), and the Ravenswood Upgrade (roofs and porches, totaling \$759,785).
- Park Improvements increased by \$7,567,906, which includes Jane Addams playground (\$703,329), Big Trees playground (\$1,374,766), May Nissen playground (\$4,218,391), Pleasure Island playground (\$1,217,277) and the District's portion of the Arroyo Del Valle Trail Bridge extension (\$54,143).
- Capital Equipment additions totaled \$39,128 which consisted of the RLCC WiFi Upgrade project and the RLCC firewall upgrade project.

## **BUDGETARY PROCESS**

In its commitment to fiscal responsibility, the District adopts an annual operating budget that reflects an activity-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. At mid-year, the District revisits both its Operating and CIP budgets to reflect updated information and modifications to plans relative to what had been reflected in the original budgets that were created prior to the onset of the fiscal year.

## **REQUESTS FOR FINANCIAL INFORMATION**

This financial report provides the public and business associates with a general overview of District finances and demonstrates 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](mailto:jschneider@larpd.org)

**BASIC FINANCIAL STATEMENTS**

DRAFT

LIVERMORE AREA RECREATION AND PARK DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2020

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	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments (Note 2)	
Available for operations	\$ 6,739,484
Petty cash	6,210
Available for restricted programs	1,911,397
Accounts receivable	987,851
Prepaid expenses	97,909
Capital assets, net of accumulated depreciation (Note 3)	92,644,274
Total Assets	<u>102,387,125</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions (Note 5)	5,802,870
Deferred outflows related to OPEB (Note 6)	236,615
Total Deferred Outflows of Resources	<u>6,039,485</u>
<b>LIABILITIES</b>	
Accounts payable	774,621
Accrued salaries and wages	379,282
Accrued liabilities	128,834
Unearned revenue	180,661
Long-term liabilities:	
Due within one year	91,951
Due in more than one year	16,352,954
Total Liabilities	<u>17,908,303</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions (Note 5)	2,824,933
Deferred inflows related to OPEB (Note 6)	642,701
Total Deferred Inflows of Resources	<u>3,467,634</u>
<b>NET POSITION</b>	
Net investment in capital assets	91,133,644
Restricted	1,911,397
Unrestricted	(5,994,368)
Total Net Position	<u>\$ 87,050,673</u>

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, 2020**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		<b>Governmental Activities</b>	<b>Net (Expense) Revenue and Change in Net Position</b>
		<b>Charges For Services</b>	<b>Operating Contributions and Grants</b>		
Governmental activities:					
Parks and Recreation	\$ 26,550,588	\$ 5,853,718	\$ 1,506,855	\$ 3,987,682	\$ (15,202,333)
		General revenues:			
			Property taxes	12,792,351	
			Miscellaneous	19,668	
			Total general revenues	12,812,019	
			Change in net position		(2,390,314)
			Net position - July 1, 2019		89,440,987
			Net position - June 30, 2020		\$ 87,050,673

LIVERMORE AREA RECREATION AND PARK DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2020

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	<u>General Fund</u>
<b>ASSETS</b>	
Cash and investments (Note 2)	
Available for operations	\$ 6,739,484
Petty cash	6,210
Available for restricted programs	1,911,397
Accounts receivable	987,851
Prepaid expenses	97,909
Total Assets	<u>\$ 9,742,851</u>
<b>LIABILITIES AND FUND BALANCES</b>	
<b>Liabilities:</b>	
Accounts payable	\$ 774,621
Accrued salaries and wages	379,282
Accrued liabilities	128,834
Unearned revenue	180,661
Total Liabilities	<u>1,463,398</u>
<b>Fund Balances (Note 8):</b>	
Nonspendable	97,909
Restricted	1,911,397
Unassigned	6,270,147
Total Fund Balance	<u>8,279,453</u>
Total Liabilities and Fund Balance	<u>\$ 9,742,851</u>

LIVERMORE AREA RECREATION & PARK DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2020

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Total fund balances - governmental funds \$ 8,279,453

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 5,802,870  
Deferred inflows of resources relating to pensions (2,824,933)

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 236,615  
Deferred inflows of resources relating to OPEB (642,701)

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 156,872,447  
Accumulated depreciation (64,228,173)  
Capital assets, net 92,644,274

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:

PG&E on-bill financing (1,510,630)  
Net pension liability (13,701,573)  
Net OPEB liability (495,308)  
Compensated absences (737,394)

Total net position - governmental activities \$ 87,050,673

**LIVERMORE AREA RECREATION AND PARK DISTRICT**

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>General Fund</u>
<b>REVENUES</b>	
Taxes	\$ 12,792,351
Earned income	7,360,573
Capital development	3,987,682
Other revenues	19,668
Total revenues	<u>24,160,274</u>
<b>EXPENDITURES</b>	
Salaries and employee benefits	14,947,221
Services and supplies	407,837
Maintenance	1,080,901
Utilities	1,679,126
Professional service	1,260,251
Communications	144,892
Transportation	96,958
Training & Conferences	13,463
District legal expense	132,000
Program services and supplies	125,076
Insurance	403,470
Instructor and sports officials	230,261
Rents and leases	456,414
Debt service	65,680
Field Trips & Events	89,288
Finance Charge and Interest	74,497
Licensing	19,947
Publications and Legal	3,179
Memberships	33,774
Miscellaneous	116
Total operating expenditures	<u>21,264,351</u>
Capital outlay	<u>4,300,126</u>
Total expenditures	<u>25,564,477</u>
Excess of revenues over expenditures	<u>(1,404,203)</u>
<b>OTHER FINANCING SOURCES/(USES)</b>	
Proceeds from PG&E On-Bill Financing	<u>1,576,310</u>
Total other financing sources	<u>1,576,310</u>
Net change in fund balance	172,107
Fund balance - July 1, 2019	<u>8,107,346</u>
Fund balance - June 30, 2020	<u>\$ 8,279,453</u>

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, 2020**

Net change in fund balances \$ 172,107

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	\$ 4,143,321	
Depreciation expense	<u>(3,586,090)</u>	557,231

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: (93,850)

Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amount recognized in governmental funds as proceeds from debt was: (1,576,310)

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 65,680

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: (1,444,160)

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: (71,012)

Change in net position of governmental activities \$ (2,390,314)

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

**LIVERMORE AREA RECREATION AND PARK DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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**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.

**LIVERMORE AREA RECREATION AND PARK DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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**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:

**LIVERMORE AREA RECREATION AND PARK DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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**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, 2020 was \$737,394.

**LIVERMORE AREA RECREATION AND PARK DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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**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, 2020 as \$3,694,311, which is restricted by the funding source for the programs indicated.

**LIVERMORE AREA RECREATION AND PARK DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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**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.

**LIVERMORE AREA RECREATION AND PARK DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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**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 and OPEB 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 and OPEB liabilities in the next year.

Additional factors involved in the calculation of the District's pension and OPEB expenses and net pension and OPEB liabilities 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, 2020, the District had deferred outflows of \$6,039,485 and deferred inflows of \$3,467,634.

**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.

**LIVERMORE AREA RECREATION AND PARK DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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**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, 2020:

Alameda County Treasurer - General	\$	3,685,014
US Bank - General Account		4,967,829
US Bank - Merchant Card Account		(1,962)
Petty Cash		6,210
Total Cash and Cash Equivalents	\$	<u>8,657,091</u>

Cash and investments are presented in three categories on the statement of net position at June 30, 2020:

<u>Cash and investments</u>		
Available for operations	\$	6,739,484
Petty cash		6,210
Available for restricted programs		1,911,397
Total Cash and investments	\$	<u>8,657,091</u>

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, 2020, the Alameda County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

Deposits - Custodial Credit Risk

The carrying amount of the District's accounts with US Bank at June 30, 2020 was \$4,965,867 and the bank balance was \$5,187,862. 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, 2020 was fully insured or collateralized.

**LIVERMORE AREA RECREATION AND PARK DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**3. PROPERTY AND EQUIPMENT**

Capital assets activity for the year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Capital Assets, not being depreciated:				
Land	\$ 52,817,819	\$ -	\$ -	\$ 52,817,819
Construction in progress	8,717,559	4,300,126	11,321,848	1,695,837
Total	<u>61,535,378</u>	<u>4,300,126</u>	<u>11,321,848</u>	<u>54,513,656</u>
Capital assets, being depreciated:				
Buildings	43,096,289	3,558,009	-	46,654,298
Park Improvements	44,237,607	7,567,906	-	51,805,513
Equipment	3,859,852	39,128	-	3,898,980
Total	<u>91,193,748</u>	<u>11,165,043</u>	<u>-</u>	<u>102,358,791</u>
Accumulated Depreciation				
Buildings	24,349,217	1,531,667	-	25,880,884
Park Improvements	33,669,062	1,601,818	-	35,270,880
Equipment	2,623,804	452,605	-	3,076,409
Total	<u>60,642,083</u>	<u>3,586,090</u>	<u>-</u>	<u>64,228,173</u>
Net Capital Assets being depreciated	<u>30,551,665</u>	<u>7,578,953</u>	<u>-</u>	<u>38,130,618</u>
Capital Assets, net	<u>\$ 92,087,043</u>	<u>\$ 11,879,079</u>	<u>\$ 11,321,848</u>	<u>\$ 92,644,274</u>

Depreciation expense of \$3,586,090 was all charged to the Parks and Recreation function.

**LIVERMORE AREA RECREATION AND PARK DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**4. LONG- TERM LIABILITIES**

Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the year ended June 30, 2020 is as follows:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due Within One Year
Net Pension Liability	\$15,804,862	\$ -	\$ 2,103,289	\$13,701,573	\$ -
Net OPEB Liability	950,150	-	454,842	495,308	-
PG&E On-Bill Financing	-	1,576,310	65,680	1,510,630	91,951
Compensated Absences	643,544	93,850	-	737,394	-
<b>Total</b>	<b>\$17,398,556</b>	<b>\$ 1,670,160</b>	<b>\$ 2,623,811</b>	<b>\$16,444,905</b>	<b>\$ 91,951</b>

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.

PG&E On-Bill Financing

The District received an interest-free loan through PG&E in the amount of \$1,576,310 to finance an energy-efficient retrofit project. The loan calls for monthly payments of \$13,135.92 for 120 months beginning in January 2020. In May 2020, the District received a 6-month loan deferral until December 2020. Future loan payments are as follows:

<b>Year Ended June 30:</b>	<b>Payments</b>
2021	\$ 91,951
2022	157,631
2023	157,631
2024	157,631
2025	157,631
2026-2030	788,154
<b>Totals</b>	<b>\$ 1,510,630</b>

LIVERMORE AREA RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

4. LONG- TERM LIABILITIES (CONTINUED)

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, 2020 were \$105,334. Future minimum lease payments under these agreements are as follows:

<u>Year Ended June 30</u>	<u>Lease Payments</u>
2021	\$ 58,091
2022	52,058
2023	5,638
2024	5,638
2025	5,638
2026-2030	28,190
2031-2035	2,819
Total	158,072
*Less Lease Buyout	(2,138)
Net Total	<u>\$ 155,934</u>

\*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, 2020, the remaining amount held was \$2,138.

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](http://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.

**LIVERMORE AREA RECREATION AND PARK DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**5. EMPLOYEE RETIREMENT SYSTEM (CONTINUED)**

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.

The Plans’ provisions and benefits in effect at June 30, 2020, are summarized as follows:

General Tier	ACERA		
	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	7.86% - 16.28%	9.24% - 17.35%	8.80%
Required employer contribution rates	33.62%	38.41%	32.14%

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, 2020 and 2019, employer contributions by the District to ACERA were \$1,306,574 and \$1,100,236, respectively.

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the net pension liability of \$13,701,573.

**LIVERMORE AREA RECREATION AND PARK DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**5. EMPLOYEE RETIREMENT SYSTEM (CONTINUED)**

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, 2019, 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, 2018 rolled forward to December 31, 2019. 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, 2020 and 2019 is shown below:

	<u>ACERA</u>
Proportion - June 30, 2020	0.640%
Proportion - June 30, 2019	0.572%
Change	<u>0.068%</u>

For the year ended June 30, 2020, the District recognized pension expense of \$1,600,965. At June 30, 2020, the District deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>ACERA</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 749,916	\$ -
Changes in proportion and differences between employer's contributions and proportionate share of contributions	34,430	88,639
Changes of assumptions or other inputs	934,042	118,194
Net excess of actual over projected earnings on pension plan investments	-	2,128,324
Difference between expected and actual experience in the Total Pension Liability	<u>4,084,482</u>	<u>489,776</u>
Total	<u>\$ 5,802,870</u>	<u>\$ 2,824,933</u>

LIVERMORE AREA RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

5. EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

The amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date of December 31, 2019 will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. 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/(Inflows) of Resources
2021	\$ 454,777
2022	631,897
2023	1,236,861
2024	(204,093)
2025	108,579
Thereafter	-

**Actuarial Assumptions**

Actuarial Assumptions – The total pension liabilities in the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions:

	<u>ACERA</u>
Valuation Date	December 31, 2018
Measurement Date	December 31, 2019
Actuarial Cost Method	Entry Age Actuarial Cost Method
Actuarial Assumptions	
Discount Rate	7.25%
Inflation	3.00%
Payroll Growth Rate	3.50%
Projected Salary Increase	General: 8.30% to 3.90% vary by service, including inflation
Investment Rate of Return <sup>(1)</sup>	7.25%
Mortality	Headcount-Weighted RP-2014 (RPH-2014) Healthy Annuitant Mortality Tables, projected generationally with the two-dimensional MP-2016 projection scale

<sup>(1)</sup> Net of pension plan investment expense, including inflation

**LIVERMORE AREA RECREATION AND PARK DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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**5. EMPLOYEE RETIREMENT SYSTEM (CONTINUED)**

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.25% as of December 31, 2019 and December 31, 2018. In order to reflect the provisions of Article 5.5 of the Statute, future allocations of 50% excess earnings to the Supplemental Retiree Benefits Reserve (SRBR) have been treated as an additional outflow against the plan's FNP in the Governmental Accounting Standards Board (GASB) crossover test. It is estimated that the additional outflow would average approximately 0.60% of assets over time, based on the results of the actuary's stochastic modeling of the 50% allocation of future excess earnings to the SRBR.

The projection of cash flows used to determine the discount rates 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 contributions rates 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 cost for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's FNP was projected to be available to make all projected future benefit payments for the 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 December 31, 2019 and 2018.

The long-term expected rate of return on pension plan investments was determined in 2017 using a building-block method in which expected future real rates of return (expected returns, net of 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, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation (approved by the Board) and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses are shown in the following table. This information was used in the derivation of the long-term expected investment rate of return assumption for the December 31, 2019 actuarial valuation. This information will be subject to change every three years based on the results of an actuarial experience study.

**LIVERMORE AREA RECREATION AND PARK DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**5. EMPLOYEE RETIREMENT SYSTEM (CONTINUED)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long- Term (Arithmetic) Expected Real Rate of Return</u>
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%
	<u>100.0%</u>	

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.

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Plan's Net Pension Liability	\$ 21,803,613	\$ 13,701,573	\$ 7,811,014

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, 2020, the District had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

LIVERMORE AREA RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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.

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

Monthly Medical Allowance

*Service Retirees.* For retirees not purchasing individual insurance through the Individual Medicare Insurance Exchange, a Maximum Monthly Medical Allowance of \$558.00 per month was provided, effective January 1, 2019 and through December 31, 2019. For the period January 1, 2020 through December 31, 2020, the maximum allowance is \$578.65 per month. For those purchasing insurance through the Individual Medicare Exchange, the Maximum Monthly Medical Allowance was \$427.46 per month for 2019 and is \$443.28 for 2020. These Allowances are subject to the following subsidy schedule:

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

LIVERMORE AREA RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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**6. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

*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.

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.

Dental and Vision Plans

The SRBR provides dental and vision benefits for retirees only. The maximum combined monthly dental and vision premium was \$48.39 in 2019 and is \$46.28 in 2020. The eligibility for these premiums is as follows:

<i>Service Retirees</i>	Retired with at least 10 years of service.
<i>Disabled Retirees</i>	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 are calculated together with active participants for purposes of underwriting, the surviving spouses/domestic partners receive an implicit subsidy, which creates a liability for the SRBR.

**LIVERMORE AREA RECREATION AND PARK DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**6. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

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

At June 30, 2020, the District reported a liability of \$495,308 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of December 31, 2019, 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, 2019, the District's proportion was 0.439%, which was an increase of 0.031% from its proportion measured as of December 31, 2018 (0.408%).

For the year ended June 30, 2020, the District recognized OPEB expense of \$71,012. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience in Total OPEB Liability	\$ -	\$ 292,596
Changes of assumptions or other inputs	189,107	35,098
Net excess of projected over actual earnings on OPEB plan investments	-	247,953
Changes in proportion and differences between District contributions and proportionate share of contributions	47,508	67,054
District contributions subsequent to the measurement date	-	-
<b>Total</b>	<b>\$ 236,615</b>	<b>\$ 642,701</b>

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:

<b>Year ended June 30</b>	<b>Total Deferred Outflows/(Inflows) of Resources</b>
2021	\$ (126,130)
2022	(126,130)
2023	35,304
2024	(151,905)
2025	(30,576)
Thereafter	(6,649)
<b>Total</b>	<b>\$ (406,086)</b>

LIVERMORE AREA RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

6. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

*Actuarial assumptions.* The actuarial assumptions used for the December 31, 2019 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 recommended for the upcoming sufficiency study for the SRBR as of December 31, 2019. The actuarial assumptions on the following page were applied to all periods included in the measurement:

**December 31, 2019**

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 6.75% to ultimate 4.50% over 9 years
Medicare medical plan	Graded from 6.25% to ultimate 4.50% over 7 years
Dental/Vision	4.00%
Medicare Part B	4.50%

The actuarial assumptions used for the December 31, 2018 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, 2018. The following actuarial assumptions were applied to all periods included in the measurement:

**December 31, 2018**

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	4.00%

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. This information will change every three years based on the results of an actuarial experience study.

**LIVERMORE AREA RECREATION AND PARK DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**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 and a risk margin, used in the derivation of the long-term expected investment rate of return assumption for the December 31, 2019 valuation are summarized in the following table. This information is subject to change every three years.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>100.00%</u>	

Discount rate: The discount rate used to measure the Total OPEB Liability was 7.25% as of December 31, 2019 and December 31, 2018. The projection of cash flows used to determine the discount rate assumed benefits 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, 2019 and December 31, 2018.

*Sensitivity of the Net OPEB Liability to changes in the discount rate.* The following presents the Net OPEB Liability (NOL) of the District as of December 31, 2019, calculated using the discount rate of 7.25%, as well as what the District'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:

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
District's proportionate share of the collective net OPEB liability/(asset)	\$ 1,105,990	\$ 495,308	\$ (11,663)

LIVERMORE AREA RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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 the District as of December 31, 2019, 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.

	<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
District's proportionate share of the collective net OPEB liability/(asset)	\$ (67,898)	\$ 495,308	\$ 1,189,115

*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, 2020, 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.

LIVERMORE AREA RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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:

	<u>General Fund</u>
Nonspendable:	
Prepaid Expenses	\$ 97,909
Total Nonspendable	<u>97,909</u>
Restricted:	
PG&E Energy Efficiency Retrofit Funds	1,576,310
Ravenswood Buckley Trust	289,322
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	943
Quimby	4,226
Total Restricted	<u>1,911,397</u>
Unassigned:	
Unappropriated	6,270,147
Total Unassigned	<u>6,270,147</u>
Total Fund Balances	<u><u>8,279,453</u></u>

**LIVERMORE AREA RECREATION AND PARK DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**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 separately from California Association for Park and Recreation Indemnity at 1075 Creekside Ridge Drive, Suite 240, Roseville, CA 95678. Condensed information for CAPRI is as follows:

<u>A. Entity</u>	<u>CAPRI</u>
<u>B. Purpose</u>	To pool member contributions and realize the advantages of self-insurance.
<u>C. Participants</u>	As of June 30, 2019, 62 member districts.*
<u>D. Governing Board</u>	Seven representatives employed by members.
<u>E. Payments for the Current Year</u>	<u>\$ 899,564</u>
<u>F. Condensed Financial Information</u>	June 30, 2019* (Audited)
Total Assets and Deferred Outflows	<u>\$ 24,724,748</u>
Total Liabilities and Deferred Inflows	\$ 19,849,400
Net Position	<u>4,875,348</u>
Total Liabilities and Net Position	<u>\$ 24,724,748</u>
Total Revenues	\$ 10,650,625
Total Expenses	<u>(12,245,949)</u>
Change in Net Position	<u>\$ (1,595,324)</u>

Member Agencies Share of Year-End Assets,  
Liabilities, or Net Position \*\*

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

LIVERMORE AREA RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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**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. COMMITMENTS**

In December 2019, the District entered into a power purchase agreement for electricity at a fixed rate for a period of 20 years beginning when the seller completes the project. As of June 30, 2020, the District has not purchased any electricity.

**12. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

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

Excess of expenditures over appropriations for the year ended June 30, 2020 were as follows:

	<u>Excess Expenditures</u>
Salaries and employee benefits:	
Retirement	\$ 149,626
Unemployment claims	112,249
Services and Supplies:	
Medical	219
Utilities	9
Professional services	13,565
Communications	44,862
Debt service	65,680
Rents and leases:	
Equipment	26,365
Structures	30,464

**13. SUBSEQUENT EVENTS**

District management has evaluated its June 30, 2020 financial statements for subsequent events through **DATE**, 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**

DRAFT

**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, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 10,715,000	\$ 11,333,233	\$ 11,181,216	\$ (152,017)
Special tax	1,587,400	1,641,000	1,585,718	(55,282)
Other tax related revenue	358,000	-	25,417	25,417
Total Taxes	<u>12,660,400</u>	<u>12,974,233</u>	<u>12,792,351</u>	<u>(181,882)</u>
Revenues other than taxes:				
Earned Income (Recreation Division)				
Recreation classes	240,000	188,358	82,162	(106,196)
Adult sports & fitness	157,734	154,033	72,558	(81,475)
Aquatics	632,100	479,581	262,456	(217,125)
Camp Shelly	79,680	79,449	20,224	(59,225)
Park operations	408,248	388,240	337,401	(50,839)
Extended student services (ESS)	5,506,476	5,365,708	4,015,336	(1,350,372)
Senior services and volunteers	189,798	221,211	139,400	(81,811)
Preschool	468,000	464,860	314,638	(150,222)
Marketing & public information	23,575	26,772	23,575	(3,197)
Open space	532,087	530,544	414,550	(115,994)
Facility use & rentals	841,000	746,886	449,749	(297,137)
Youth sports & fitness	393,200	383,975	106,869	(277,106)
Believes program	149,317	149,340	148,586	(754)
Middle school program	635,970	612,682	487,602	(125,080)
Concessions	78,000	59,179	30,971	(28,208)
Field & gym rentals	491,725	524,087	363,767	(160,320)
Other	24,603	20,613	90,702	70,089
Total Earned Income	<u>10,851,513</u>	<u>10,395,518</u>	<u>7,360,573</u>	<u>(3,034,945)</u>
Capital development revenue:				
Capital grants and contributions	-	-	26,979	26,979
City AB 1600 In-Lieu	4,975,234	4,975,234	3,960,703	(1,014,531)
Total Capital development revenue	<u>4,975,234</u>	<u>4,975,234</u>	<u>3,987,682</u>	<u>(987,552)</u>
Mandated program reimbursement				
	-	-	19,668	19,668
Total Revenues	<u>\$ 28,487,147</u>	<u>\$ 28,344,985</u>	<u>\$ 24,160,274</u>	<u>\$ (4,184,711)</u>

	Budgeted Amounts		Actual	Variance with Final Budget Favorable
	Approved	Final		(Unfavorable)
<b>EXPENDITURES</b>				
Salaries and employee benefits:				
Salaries	\$ 11,982,891	\$ 11,362,769	\$ 10,349,170	\$ 1,013,599
Retirement	1,821,710	1,533,731	1,683,357	(149,626)
Workers compensation insurance	487,989	462,649	399,917	62,732
Employee group insurance	1,922,014	1,915,142	1,898,747	16,395
Employer FICA/Medicare	614,420	580,948	503,781	77,167
Unemployment claims	-	-	112,249	(112,249)
Total Salaries and employee benefits	16,829,024	15,855,239	14,947,221	908,018
Services and Supplies:				
Agriculture	98,900	95,460	33,479	61,981
Clothing	43,120	42,591	31,402	11,189
Household	110,336	121,222	104,133	17,089
Food	146,909	130,711	94,168	36,543
Office	71,865	75,246	57,352	17,894
Medical	15,980	12,034	12,253	(219)
Small tools	33,050	28,748	21,227	7,521
Non-capital equipment	55,825	97,328	53,823	43,505
Total Services and supplies	575,985	603,340	407,837	195,503
Maintenance:				
Structures	869,550	1,143,276	892,252	251,024
Equipment	250,203	209,857	188,649	21,208
Total Maintenance	1,119,753	1,353,133	1,080,901	272,232
Utilities	1,841,501	1,679,117	1,679,126	(9)
Professional service	717,970	1,246,686	1,260,251	(13,565)
Communications	135,500	100,030	144,892	(44,862)
Transportation	144,960	121,030	96,958	24,072
Debt service	-	-	65,680	(65,680)
District legal expense	144,000	132,000	132,000	-
Program services and supplies	167,507	156,288	125,076	31,212
Field Trips & Events	137,600	137,315	89,288	48,027
Finance Charges & Interest	76,400	75,869	74,497	1,372
Insurance	407,100	438,147	403,470	34,677
Instructor and sports officials	340,806	269,310	230,261	39,049
Training and Conferences	57,007	26,589	13,463	13,126
Licensing	22,300	26,190	19,947	6,243
Memberships	51,940	40,820	33,774	7,046
Publications/Legal Notice	2,100	3,213	3,179	34
Rents and leases:				
Equipment	100,918	225,015	251,380	(26,365)
Structures	161,964	174,570	205,034	(30,464)
Total Rents and leases	262,882	399,585	456,414	(56,829)
Miscellaneous	46,500	47,834	116	47,718
Total operating expenditures	23,080,835	22,711,735	21,264,351	1,447,384
Capital Outlay:				
Structures and improvements	4,975,234	4,975,234	4,260,998	714,236
Equipment	-	55,594	39,128	16,466
Total Capital outlay	4,975,234	5,030,828	4,300,126	730,702
Total expenditures	28,056,069	27,742,563	25,564,477	2,178,086
Excess (deficiency) of revenues over (under) expenditures	(4,544,156)	(4,372,812)	(1,404,203)	2,968,609
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from PG&E financing	-	-	1,576,310	1,576,310
Total other financing sources (uses)	-	-	1,576,310	1,576,310
Net change in fund balance	(4,544,156)	(4,372,812)	172,107	4,544,919
Fund balance - July 1, 2019	8,107,346	8,107,346	8,107,346	-
Fund balance - June 30, 2020	\$ 3,563,190	\$ 3,734,534	\$ 8,279,453	\$ 4,544,919

**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, 2020**

	<u>2018</u>	<u>2019</u>	<u>2020</u>
District's proportion of the collective net OPEB liability (asset)	0.42%	0.41%	0.44%
District's proportionate share of the collective net OPEB liability (asset)	\$ 116,763	\$ 950,150	\$ 495,308
District's covered payroll	\$ 4,254,668	\$ 4,585,695	\$ 4,434,257
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered payroll	2.74%	20.72%	11.17%
Plan fiduciary net position as a percentage of the total OPEB liability	97.33%	77.91%	89.57%

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.

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**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, 2020**

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
2020	0.64000%	\$ 13,701,573	\$ 4,434,257	308.99%	77.82%
2019	0.57200%	\$ 15,804,862	\$ 4,585,695	344.66%	72.74%
2018	0.35900%	\$ 7,228,288	\$ 4,254,668	169.89%	82.99%
2017	0.38500%	\$ 8,644,696	\$ 4,548,036	190.08%	77.76%
2016	0.48300%	\$ 9,288,497	\$ 4,485,863	207.06%	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*
2020	\$ 1,306,574	\$ 1,306,574	\$ -	\$ 4,434,257	29.47%
2019	\$ 1,100,236	\$ 1,100,236	\$ -	\$ 4,585,695	23.99%
2018	\$ 1,049,843	\$ 1,049,843	\$ -	\$ 4,254,668	24.68%
2017	\$ 1,189,646	\$ 1,189,646	\$ -	\$ 4,548,036	26.16%
2016	\$ 1,199,303	\$ 1,199,303	\$ -	\$ 4,485,863	26.74%
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.

**LIVERMORE AREA RECREATION AND PARK DISTRICT**

**FOOTNOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**JUNE 30, 2020**

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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 1<sup>st</sup> to June 30<sup>th</sup>, 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 June 2019 and the final budget reflects the mid-year budget adjustments adopted by the board in March 2020.

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 primarily as a result of favorable investment returns during the calendar year 2019 offset somewhat by updating the health trend 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 primarily as a result of the favorable investment return during calendar year 2019.

**SUPPLEMENTARY INFORMATION**

LIVERMORE AREA RECREATION AND PARK DISTRICT

KIDANGO CONTRACT  
SCHEDULE OF REVENUES AND EXPENSES

JUNE 30, 2020

**KIDANGO, INC.**  
**Livermore Area Recreation and Park District (LARP)**  
Financial Report July 1, 2019 - June 30, 2020

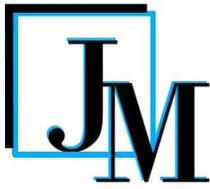
**Revenue**

Payments from Kidango to LARP	\$	664,535
Kidango Parent Fees from certified families to LARP	\$	43,955
<b>Sub-total, Total Kidango-related Payments</b>	<b>\$</b>	<b>708,490</b>
Non-Kidango fees (non-certified children)		2,588,461
<b>TOTAL REVENUE - Certified and non-Certified - at Kidango sites</b>	<b>\$</b>	<b>3,296,951</b>

**Expenses - LARP Sites that support Kidango**

1000 Certificated Salaries		1,318,612
2000 Classified Salaries		1,122,344
3000 Employee Benefits		1,117,486
4000 Books and Supplies		118,060
5000 Services and Other Operating Expenses		179,071
6100/6200 Other Approved Capital Outlay		-
6400 New Equipment ( <i>program-related</i> )		-
6500 Equipment Replacement ( <i>program-related</i> )		-
Depreciation or Use Allowance		-
Start-Up Expenses (service level exemption )		-
Indirect Costs (Rate: _____%; included in Admin cost)		-
<b>TOTAL EXPENSES - Kidango Sites</b>	<b>\$</b>	<b>3,855,573</b>
Less: Expenses Paid By Livermore Area Recreation & Park District		3,191,038
<b>Total Expenses Claimed for Reimbursement to Kidango</b>	<b>\$</b>	<b>664,535</b>

**OTHER INDEPENDENT AUDITOR'S REPORT**



**James Marta & Company LLP**  
**Certified Public Accountants**

*Accounting, Auditing, Tax, and Consulting*

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**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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated **DATE**.

**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.

## **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.

**DRAFT**

James Marta & Company LLP  
Certified Public Accountants  
Sacramento, California

**DATE**