

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

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

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2014**

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

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TRUCKEE-DONNER RECREATION AND PARK DISTRICT

SEPTEMBER 30, 2014

BOARD OF DIRECTORS

Kristin York

Erin Casey

Janet Brady

Kevin Murphy

Peter Werbel

* * * *

General Manager
Steve Randall

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

SEPTEMBER 30, 2014

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TRUCKEE-DONNER RECREATION AND PARK DISTRICT

SEPTEMBER 30, 2014

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James Marta & Company LLP

Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Truckee-Donner Recreation and Park District (the District), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Truckee-Donner Recreation and Park District as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 9 and the Required Supplementary Information, such as the General Fund Budgetary Comparison Schedule, the Mitigation Fund Budgetary Comparison Schedule and the Quimby Fees Fund Budgetary Comparison Schedule on pages 32 to 35 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Truckee-Donner Recreation and Park District's basic financial statements. The accompanying Capital Projects Fund Budgetary Comparison Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

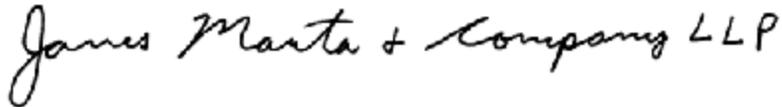
The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The Capital Projects Fund Budgetary Comparison Schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Prior Period Restatement

As further discussed in note 8 to the financial statements, beginning fund balance and beginning net position were restated to adjust accounts payable and construction in progress to the appropriate balances.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2015 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.

A handwritten signature in cursive script that reads "James Marta & Company LLP".

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
February 11, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2014

This section of the District's annual report is provided as supplementary information to the audited financial statements. It is Management's intention that this information provides the financial statement reader with a brief and concise overview and analysis of the District's financial activities for the fiscal year ended September 30, 2014.

Financial Highlights

Total assets decreased by \$618,457 in 2014, from \$39,922,927 to \$39,304,470. Unrestricted cash and investments on hand increased by \$988,810 from \$7,302,656 to \$8,291,466 from 2013 to 2014. This is largely the result of using Capital Project Funds rather than General Funds to service debt payments. Property tax and assessment revenues increased by \$1,134 in 2014 from \$4,110,642 to \$4,111,776.

District services, recreation and park, increased \$257,424 from \$2,320,627 to \$2,578,051. This was a result of more citizens participating in recreation programs, as well as an increased number of programs offered.

Restricted mitigation fees collected under AB 1600 and Quimby increased by \$59,900 in 2014, from \$124,544 to \$184,444. These funds are used at the District's discretion to develop park and recreation facilities in the District.

The beginning fund balance was restated by a prior period adjustment which resulted from a decrease in construction in progress of \$96,524 and a decrease in accounts payable of \$245,371 for a net prior period adjustment to net position of \$148,847. Total government fund balances decreased by \$428,617 in 2014, from the October 1, 2013 restated fund balance of \$12,120,179 to \$11,691,562. This decrease was largely due to repayment of long-term debt.

All capital acquisitions are recorded as assets on the District's Statement of Net Position, and appropriate depreciation of those assets is recorded as depreciation expense. Accordingly, capital outlay expenditure is \$677,300 in the current fiscal year, and depreciation expense was \$872,128 for the year ended September 30, 2014. The Construction in progress had a net increase of \$574,693 due to improvements to the Community Arts Center for \$203,801, the Bike Park for \$66,275 and the Aquatics Center for \$304,617.

In 2002, the District borrowed \$2 million to build the Community Sports Complex. As of the date of the financial statements, the principal balance was \$868,594. Principal payments of \$110,187 and interest payments of \$33,581 were made during the year ended September 30, 2014.

In August 2007, the District received \$24,235,000 in bond proceeds to build the new Community Recreation Center. These bonds will be repaid over 30 years. As of the date of the financial statements, the principal balance was \$22,150,000. Principal payments of \$455,000 and interest payments of \$1,091,463 were made during the year ended September 30, 2014.

Overview of the Financial Statements

This annual report consists of the Management Discussion and Analysis, Financial Statements and Notes to those statements. These statements are organized to present the Truckee Donner Recreation and Park District (the District) as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities. Readers should also review the accompanying notes to the financial statements to enhance their understanding of the District's financial performance.

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2014

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

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

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

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

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

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-31 of this report.

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2014

Other information. In addition to the basic financial statement and accompanying notes, this report also presents certain required supplementary information, including this discussion and analysis of the financial statements. The required District budgetary comparison schedules and notes, as well as the Independent Auditor's report can be found on pages 32-39 of this report.

Government-Wide Financial Analysis

Statement of Net Position

District's assets exceeded liabilities by \$15,569,107 at the close of the fiscal year ended September 30, 2014. This is an increase in net position of \$59,835 when compared with net position of \$15,509,272 at the close of the fiscal year ended September 30, 2013. The District's investment in capital assets (land, buildings, furniture and equipment) represents 74% of total assets. Capital assets are reported net of accumulated depreciation.

	Governmental Activities			
	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>%</u>
Assets				
Current and Other Assets	\$ 10,414,887	\$ 12,432,992	\$ (2,018,105)	-16.23%
Capital Assets, Net of Depreciation	28,889,583	27,489,935	1,399,648	5.09%
Total Assets	<u>39,304,470</u>	<u>39,922,927</u>	<u>(618,457)</u>	<u>-1.55%</u>
Liabilities				
Current Liabilities	1,096,334	1,219,171	(122,837)	-10.08%
Non-Current Liabilities	22,639,029	23,194,484	(555,455)	-2.39%
Total Liabilities	<u>23,735,363</u>	<u>24,413,655</u>	<u>(678,292)</u>	<u>-2.78%</u>
Net Position				
Net Investment in Capital Assets	4,179,989	3,810,354	369,635	9.70%
Restricted	3,704,043	4,999,921	(1,295,878)	-25.92%
Unrestricted	7,685,075	6,698,997	986,078	14.72%
Total Net Position	<u>\$ 15,569,107</u>	<u>\$ 15,509,272</u>	<u>\$ 59,835</u>	<u>0.39%</u>

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2014

Statement of Activities

	Governmental Activities			
	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>%</u>
Revenues				
Program Revenues:				
Charges for Services	\$ 2,578,051	\$ 2,320,627	\$ 257,424	11.09%
Grants, Contributions, Mitigation & Quimby Fees	333,710	267,892	65,818	24.57%
General Revenues:				
Property Taxes	4,111,776	4,110,642	1,134	0.03%
Interest Income	67,134	82,811	(15,677)	-18.93%
Increase (Decrease) in FMV of Cash and Investments	17,192	(29,775)	46,967	-
Total Revenues	<u>7,107,863</u>	<u>6,752,197</u>	<u>355,666</u>	<u>5.27%</u>
Expenses				
General Government	6,074,085	6,021,964	52,121	0.87%
Interest on Long-Term Debt	1,122,790	1,144,286	(21,496)	-1.88%
Total Expenses	<u>7,196,875</u>	<u>7,166,250</u>	<u>30,625</u>	<u>0.43%</u>
Change in Net Position	(89,012)	(414,053)		
Net Position - As Originally Reported	15,509,272	15,923,325	(414,053)	-2.60%
Prior Period Adjustment	148,847	-		
Net Position - Restated Beginning of Year	15,658,119	15,923,325	(414,053)	(0)
Net Position at the End of the Year	<u>\$ 15,569,107</u>	<u>\$ 15,509,272</u>	<u>\$ 59,835</u>	<u>0.39%</u>

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2014

Fund Financial Statement Analysis

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District's governmental funds are comprised of the General Fund, Mitigation Fund, Quimby Fees Fund, and Capital Project Fund, all four major funds. As of September 30, 2014 the District governmental funds had a combined fund balance of \$11,691,562 a decrease of \$428,617 from September 30, 2013.

General Fund - this fund is the main operating fund of the District and represents the largest accounting entity of District governmental funds. The primary funding source for the General Fund is property tax revenues, which totaled \$4,111,776 and was 60% of total General Fund revenue of \$6,892,882.

The primary expenditure category supported by these revenues is general government, which totaled \$5,168,949 and was 86% of total General Fund expenditures \$5,990,017.

At September 30, 2014, the General Fund balance was \$8,023,123, an increase of \$902,865 from the beginning of the year.

Mitigation Fund – this fund accounts for the collection of AB 1600 mitigation fees. These fees cannot be used for daily operations, but must be used only to develop parkland and provide recreational, community use facilities to meet the needs of the new service populations within the District. No accumulated fees were expended during the year. At September 30, 2014, the Mitigation Fund balance was \$552,824, an increase of \$183,570 from the beginning of the year.

Quimby Fees Fund – this fund accounts for the collection of Quimby fees. These fees cannot be used for daily operations, but must be used only to develop parkland and provide recreational, community use facilities to meet the needs of the new service populations within the District. No accumulated fees were expended during the year. At September 30, 2014, the Quimby Fees Fund balance was \$35,451, an increase of \$3,907 from the beginning of the year.

Capital Projects Fund - this fund accounts for revenues received and expenditures for acquisition and construction of major capital improvement projects in the District. At September 30, 2014, the Capital Project Fund balance was \$3,080,164 a decrease of \$1,518,959 from the beginning of the year, due to payment of debt service for the Community Recreation Center.

General Fund Budgetary Highlights

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

Actual revenues were \$191,197 over budget and actual expenses were \$702,437 over budget.

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2014

Capital Assets

The District's investment in capital assets as of September 30, 2014 equals \$27.2 million (net of accumulated depreciation), a decrease of \$291,352 from the prior year due to asset retirement and increased depreciation offset by additions.

*The 2013 balance for construction in progress was reduced by \$96,524 due to a prior period restatement as discussed in Note 8 to the financial statements.

Governmental Activities

	<u>2014</u>	<u>2013</u>
Land	\$ 3,997,736	\$ 3,997,736
Construction in Progress*	938,865	364,172
Structures, Improvements & Equipment	30,532,117	30,498,385
Less Depreciation	<u>(8,270,135)</u>	<u>(7,466,882)</u>
Total	<u>\$ 27,198,583</u>	<u>\$ 27,393,411</u>

Long Term Debt

Information regarding the District's debt can be found in detail in Note 4, beginning on page 26 of the financial statements. As of September 30, 2014 and 2013, the District has balances of \$23,227,489 and \$23,759,668 respectively, in long term debt outstanding as summarized below.

Governmental Activities

	<u>2014</u>	<u>2013</u>
CIEDB Loan	\$ 868,594	\$ 978,781
Certificates of Participation	22,150,000	22,605,000
Compensated Absences	<u>208,895</u>	<u>175,887</u>
Total	<u>\$ 23,227,489</u>	<u>\$ 23,759,668</u>

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

BASIC FINANCIAL STATEMENTS

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

STATEMENT OF NET POSITION

SEPTEMBER 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash and Investments	\$ 8,291,466
Restricted Cash and Investments	2,022,340
FMV Adjustment of Cash and Investments	(12,583)
Receivables - Net of Allowances of \$21,367	54,055
Prepaid Expenses	51,399
Inventory	8,210
Total Current Assets	<u>10,414,887</u>
Non-Current Assets	
Cash with Fiscal Agent - Restricted	1,691,000
Capital Assets:	
Land	3,997,736
Construction in Progress	938,865
Depreciable Capital Assets	30,532,117
Accumulated Depreciation	<u>(8,270,135)</u>
Capital Assets - Net	<u>27,198,583</u>
Total Assets	<u>39,304,470</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	75,135
Accrued Expenses	194,986
Pension Liability	35,604
Other Liabilities	108,600
Interest Payable	93,549
Current Portion of Long-Term Obligations	<u>588,460</u>
Total Current Liabilities	<u>1,096,334</u>
Long-term liabilities:	
Compensated Absences	208,895
Other Long-Term Obligations - Net of Current Portion	<u>22,430,134</u>
Total Long-Term Liabilities	<u>22,639,029</u>
Total Liabilities	<u>23,735,363</u>
NET POSITION	
Invested in Capital Assets, Net of Related Debt	4,179,989
Restricted for:	
Pension Fund	35,604
Mitigation	552,824
Quimby Fees	35,451
Capital Projects	3,080,164
Unrestricted	<u>7,685,075</u>
Total Net Position	<u>\$ 15,569,107</u>

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

TRUCKEE-DONNER RECREATION AND PARK DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

	Program Revenues		Net Revenue
Expenses	Charges For Services	Grants and Contributions	Governmental Activities
Governmental Activities:			
General Government	\$ 6,074,085	\$ 2,578,051	\$ 149,266
Interest on Long-Term Debt	1,122,790	-	-
Total Governmental Activities	\$ 7,196,875	\$ 2,578,051	\$ 149,266
General Revenues:			
Property Taxes and Assessments			4,111,776
Investment income			84,326
Mitigation & Quimby Fees			184,444
Total General Revenues and Transfers			4,380,546
Change in Net Position			(89,012)
Net Position - October 1, 2013, As Originally Reported			15,509,272
Prior Period Adjustment			148,847
Net Position - October 1, 2013, As Restated			15,658,119
Net Position - Ending			\$ 15,569,107

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

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2014

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Mitigation Fund</u>	<u>Quimby Fees Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and investments	\$ 8,291,466	\$ -	\$ -	\$ -	\$ 8,291,466
Restricted Cash and Cash Equivalents	35,604	3,083,561	558,724	35,451	3,713,340
FMV Adjustment of Cash and Investments	(8,557)	(3,397)	(629)	-	(12,583)
Accounts Receivable - Net of Allowance of \$21,367	54,055	-	-	-	54,055
Prepaid expenditures	51,399	-	-	-	51,399
Inventory	8,210	-	-	-	8,210
Total Assets	<u>\$ 8,432,177</u>	<u>\$ 3,080,164</u>	<u>\$ 558,095</u>	<u>\$ 35,451</u>	<u>\$ 12,105,887</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 75,135	\$ -	\$ -	\$ -	\$ 75,135
Accrued Payroll and Related Liabilities	194,986	-	-	-	194,986
Pension Liability	35,604	-	-	-	35,604
Other Liabilities	103,329	-	5,271	-	108,600
Total Liabilities	<u>409,054</u>	<u>-</u>	<u>5,271</u>	<u>-</u>	<u>414,325</u>
Fund Balances:					
Nonspendable	59,609	-	-	-	59,609
Restricted	35,604	3,080,164	552,824	35,451	3,704,043
Committed	1,600,000	-	-	-	1,600,000
Assigned	6,298,082	-	-	-	6,298,082
Unassigned	29,828	-	-	-	29,828
Total Fund Balances	<u>8,023,123</u>	<u>3,080,164</u>	<u>552,824</u>	<u>35,451</u>	<u>11,691,562</u>
Total Liabilities and Fund Balances	<u>\$ 8,432,177</u>	<u>\$ 3,080,164</u>	<u>\$ 558,095</u>	<u>\$ 35,451</u>	<u>\$ 12,105,887</u>

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

TRUCKEE-DONNER RECREATION AND PARK DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

Total fund balances - Governmental Funds	\$	11,691,562
<p>In governmental funds only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.</p>		
Capital assets at historical cost	\$	35,468,718
Accumulated depreciation	<u>(8,270,135)</u>	27,198,583
<p>Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:</p>		
Certificates of Participation	(22,150,000)	
CIEDB Loan	(868,594)	
Compensated Absences	<u>(208,895)</u>	(23,227,489)
<p>Unmatured interest on long-term liabilities is recognized in the period incurred.</p>		
		<u>(93,549)</u>
Total Net Position - Governmental Activities	\$	<u><u>15,569,107</u></u>

TRUCKEE-DONNER RECREATION AND PARK DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	General Fund	Capital Projects Fund	Mitigation Fund	Quimby Fees Fund	Total Governmental Funds
REVENUES					
Tax and Assessments	\$ 4,111,776	\$ -	\$ -	\$ -	\$ 4,111,776
Mitigation and Quimby Fees	-	-	180,612	3,832	184,444
District Services	2,578,051	-	-	-	2,578,051
Donations	100,808	-	-	-	100,808
Grants	48,458	-	-	-	48,458
Interest	42,083	22,509	2,467	75	67,134
Increase (Decrease) in FMV of Cash and Equivalents	11,706	4,995	491	-	17,192
Total Revenues	6,892,882	27,504	183,570	3,907	7,107,863
EXPENDITURES					
General Government	5,168,949	-	-	-	5,168,949
Capital Outlay	677,300	-	-	-	677,300
Debt service:					
Principal	110,187	455,000	-	-	565,187
Interest	33,581	1,091,463	-	-	1,125,044
Total Expenditures	5,990,017	1,546,463	-	-	7,536,480
Net Change in Fund Balance	902,865	(1,518,959)	183,570	3,907	(428,617)
Fund balance - October 1, 2013, As originally reported	6,874,887	4,599,123	369,254	31,544	11,874,808
Prior period audit adjustments	245,371	-	-	-	245,371
Fund Balance - October 1, 2013, as restated	7,120,258	4,599,123	369,254	31,544	12,120,179
Fund Balance - September 30, 2014	\$ 8,023,123	\$ 3,080,164	\$ 552,824	\$ 35,451	\$ 11,691,562

TRUCKEE-DONNER RECREATION AND PARK DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

Net Change in Fund Balances \$ (428,617)

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 (Note 3).	677,300
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 3).	(872,128)
Repayment of principal on long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the statement of net position.	565,187
Interest on long-term liabilities is recognized in the period it is incurred, in governmental funds it is only recognized when it is paid.	2,254
In the Statement of Activities, expenses related to compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used.	(33,008)
Change in Net Position of Governmental Activities	\$ (89,012)

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION

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

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

B. BASIS OF PRESENTATION

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

B. BASIS OF PRESENTATION (Continued)

Basic Financial Statements

The basic financial statements include Management's Discussion and Analysis (MD & A), providing an analysis of the District's overall financial position and results of operations, financial statements prepared using full accrual accounting for all of the District's activities, including infrastructure, and a change in the fund financial statements to focus on the major funds.

Reporting Entity

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-Wide Financial Statements

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

Governmental Fund Financial Statements

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

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

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

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

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

D. FUND ACCOUNTING

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

Major Funds:

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

Capital Project Fund - The Capital Project Fund accounts for the collection of resources and related expenditures for acquisition and construction of major capital improvement projects in the District.

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

D. FUND ACCOUNTING (Continued)

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

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

E. INVENTORY

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

F. CAPITAL ASSETS

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

G. INTERFUND ACTIVITY

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

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

H. COMPENSATED ABSENCES

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

I. GOVERNMENT-WIDE AND PROPRIETARY FUND NET POSITION

Invested in capital assets, net of related debt consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

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

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

J. 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.

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

J. FUND BALANCE (Continued)

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

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

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

K. PROPERTY TAXES

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

L. CASH AND CASH EQUIVALENTS

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

M. RESTRICTED CASH

Restricted cash represents special assessment proceeds restricted for mitigation of the impact on the District by construction of new homes and businesses within the District. It also includes proceeds from Certificates of Participation to fund the District's various projects.

N. ENCUMBRANCES

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

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

O. USE OF ESTIMATES

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

2. CASH AND INVESTMENTS

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

The District's cash balances at September 30, 2014 are:

Cash on Hand and in Banks	\$ 509,528
Cash in County Treasury	<u>7,781,938</u>
Cash and Investments Subtotal	<u>8,291,466</u>
Restricted - Cash in County Treasury	1,986,736
Restricted - Cash in Pension Fund	<u>35,604</u>
Restricted - Cash and Investments Subtotal	<u>2,022,340</u>
Restricted - Cash with Fiscal Agent	<u>1,691,000</u>
Increase (Decrease) in FMV of Cash and Investments	<u>(12,583)</u>
Total Cash and Investments	<u>\$ 11,992,223</u>

Pooled Funds

The District maintains substantially all of its cash in the Nevada County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

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.

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

2. CASH AND INVESTMENTS (Continued)

In accordance with applicable State laws, the Nevada County Treasurer may invest in derivative securities. However, at September 30, 2014, the Nevada County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies; certificates of participation; obligations with first priority security; and collateralized mortgage obligations. The District's investments were in compliance with the above provisions as of and during the year ended September 30, 2014.

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

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

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

2. CASH AND INVESTMENTS (Continued)

Deposits - Custodial Credit Risk

The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At September 30, 2014, the carrying amounts of the District's accounts were \$545,132 and the bank balances were \$543,402.

Interest Rate Risk

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

Concentration of Credit Risk

The District's investment policy limits the amount it may invest with certain issuers. At September 30, 2014, the District had no concentration of credit risk and complied with the requirements of the District's investment policy.

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

3. CAPITAL ASSETS

A schedule of changes in Governmental Activities capital assets for the year ended September 30, 2014 is as follows:

	Balance October 1, 2013	Additions	Deletions	Balance September 30, 2014
Non-depreciable assets:				
Land	\$ 3,997,736	\$ -	\$ -	\$ 3,997,736
Construction in Progress*	<u>364,172</u>	<u>574,693</u>	<u>-</u>	<u>938,865</u>
	<u>4,361,908</u>	<u>574,693</u>	<u>-</u>	<u>4,936,601</u>
Depreciable assets:				
Structures, improvements and equipment	<u>30,498,385</u>	<u>102,607</u>	<u>68,875</u>	<u>30,532,117</u>
	<u>30,498,385</u>	<u>102,607</u>	<u>68,875</u>	<u>30,532,117</u>
			-	
Totals, at cost	<u>34,860,293</u>	<u>677,300</u>	<u>68,875</u>	<u>35,468,718</u>
			-	
Accumulated depreciation:				
Structures, improvements and equipment	<u>(7,466,882)</u>	<u>(872,128)</u>	<u>(68,875)</u>	<u>(8,270,135)</u>
	<u>(7,466,882)</u>	<u>(872,128)</u>	<u>(68,875)</u>	<u>(8,270,135)</u>
		-	-	
Depreciable assets, net	<u>23,031,503</u>	<u>(769,521)</u>	<u>-</u>	<u>22,261,982</u>
			-	
Capital assets, net	<u>\$ 27,393,411</u>	<u>\$ (194,828)</u>	<u>\$ -</u>	<u>\$ 27,198,583</u>

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

* The beginning balance for construction in progress was reduced by \$96,524 due to a prior period restatement as discussed in Note 8.

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

4. LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the fiscal year ended September 30, 2014 is as follows:

	Balance September 30, 2013	Additions	Deductions	Balance September 30, 2014	Amounts Due Within One Year
CIEDB Loan	\$ 978,781	\$ -	\$ 110,187	\$ 868,594	\$ 113,460
Certificates of Participation	22,605,000	-	455,000	22,150,000	475,000
Compensated Absences	175,887	33,008	-	208,895	-
	<u>\$ 23,759,668</u>	<u>\$ 33,008</u>	<u>\$ 565,187</u>	<u>\$ 23,227,489</u>	<u>\$ 588,460</u>

Payments on Certificates of Participation are made from the Capital Projects Fund. Payments on the CIEDB Load are made from the General Fund. Payments on the compensated absences are made from the fund for which the related employee worked.

California Infrastructure and Economic Development Bank Loan

During the year ended September 30, 2002, the District entered in to a \$2 million borrowing agreement with the California Infrastructure and Economic Development Bank (the "Bank"). Under the terms of this agreement, the Bank has agreed to reimburse the District for expenditures to construct a new recreation facility up to the \$2 million borrowing limit. The interest rate on the loan is 2.97%. Interest payments are due on February 1 and August 1 and principal payments are due on August 1 of each year. The loan matures on August 1, 2021. The loan is collateralized by real property owned by the District.

The annual payments required to amortize the CIEDB loan outstanding as of September 30, 2014, are as follows:

Fiscal Year Ended September 30,	Principal	Interest	Total Debt Service
2015	\$ 113,460	\$ 28,403	\$ 141,863
2016	116,830	24,693	141,523
2017	120,300	20,873	141,173
2018	123,872	16,939	140,811
2019	127,552	12,888	140,440
2020	131,340	8,717	140,057
2021	135,240	4,422	139,662
Total	<u>\$ 868,594</u>	<u>\$ 116,935</u>	<u>\$ 985,529</u>

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

4. LONG-TERM LIABILITIES (Continued)

Certificates of Participation

As of July 1, 2008, the Truckee Donner Recreation and Park District offered and sold 2007 Certificates of Participation to fund Phases 1 and 2 of the District's Community Center Project. The Certificates were delivered pursuant to a Trust Agreement dated as of July 1, 2007, among the Truckee-Donner Recreation and Park District Financing Corporation (the "Financing Corporation"), the District, and the Trustee. Proceeds of sale of the Certificates were to be used to (1) pay a portion of the costs of acquiring, constructing and equipping Phases 1 and 2 of the District's new Community Center and related facilities, (2) fund the Reserve Fund created pursuant to the Trust Agreement, and (3) pay costs of delivery and sale of the Certificates, including without limitation, the insurance premium for the Financial Guaranty Insurance Policy. Pursuant to a Site and Facilities Lease dated as of July 1, 2007 (the "site lease"), between the District and the Financing Corporation, the District has leased to the Financing Corporation certain park and recreational facilities owned by the District. Under the same lease agreement, the District is leasing back the Property from the Financing Corporation, and is paying the lease payments for the Property. The District has deposited \$1,691,000 into the reserve fund created by the Trust. The interest rate on the Certificates is 4.8%. Interest payments are due on March 1 and September 1 and principal payments are due on September 1 of each year. The Certificates mature on September 1, 2037.

The annual payments required to amortize the Certificates of Participation outstanding as of September 30, 2014, are as follows:

<u>Fiscal Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u> <u>Service</u>
2015	\$ 475,000	\$ 1,070,988	\$ 1,545,988
2016	495,000	1,049,613	1,544,613
2017	520,000	1,027,338	1,547,338
2018	545,000	1,003,938	1,548,938
2019	565,000	980,775	1,545,775
2020-2024	3,680,000	4,484,906	8,164,906
2025-2029	4,950,000	3,492,875	8,442,875
2030-2034	6,320,000	2,128,750	8,448,750
2035-2039	4,600,000	467,500	5,067,500
Total	<u>\$ 22,150,000</u>	<u>\$ 15,706,681</u>	<u>\$ 37,856,681</u>

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

5. FUND BALANCES

The District follows GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. The following schedule is a summary of the components of the ending fund balance by fund type at September 30, 2014:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Mitigation Fund</u>	<u>Quimby Fees Fund</u>	<u>Total</u>
Nonspendable:					
Prepaid Expenditures	\$ 51,399	\$ -	\$ -	\$ -	\$ 51,399
Inventory	8,210	-	-	-	8,210
Total Nonspendable	<u>59,609</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,609</u>
Restricted For:					
Pension Fund	35,604	-	-	-	35,604
Capital Projects/Debt Service	-	3,080,164	552,824	35,451	3,668,439
Total Restricted	<u>35,604</u>	<u>3,080,164</u>	<u>552,824</u>	<u>35,451</u>	<u>3,704,043</u>
Committed For:					
Operating Reserves	1,000,000	-	-	-	1,000,000
Equipment Replacement	500,000	-	-	-	500,000
Board Special Project	100,000	-	-	-	100,000
Total Committed	<u>1,600,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,600,000</u>
Assigned For:					
Aquatic Center	6,298,082	-	-	-	6,298,082
Unassigned:					
Unassigned/Unappropriated	29,828	-	-	-	29,828
Total Unassigned	<u>29,828</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,828</u>
Total Fund Balances	<u>\$ 8,023,123</u>	<u>\$ 3,080,164</u>	<u>\$ 552,824</u>	<u>\$ 35,451</u>	<u>\$ 11,691,562</u>

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

6. PENSION PLAN

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

The Plan is available to all classes of employees, provided certain age and service requirements are met. The District is required to make an annual contribution to the Plan equal to 8% of each participant's compensation. Participants are not required to make contributions. The District, by action of the board of directors, has the authority to establish and amend the Plan's contribution requirements. Contributions made to the Plan by the District in the 2014 fiscal year were \$132,041.

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

7. DEFERRED COMPENSATION PLAN

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

8. PRIOR PERIOD RESTATEMENT

For the fiscal year ended September 30, 2013, the District included accrual entries relating to previous years in the general fund resulting in an overstatement of accounts payable and understatement of fund balance of \$245,371. The District also included items in Construction in Progress that should have been expensed in prior years resulting in an overstatement of Capital Assets in the amount of \$96,524. The net prior period adjustment made in the current year was \$148,847.

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

9. RISK MANAGEMENT

The District is a member with other special districts of a Joint Powers Authority, California Association for Park & Recreation Indemnity (CAPRI), which provides coverage for workers' compensation, property, liability and employee dishonesty. The Authority is governed by an Executive Board consisting of representatives from member districts. The Executive Board controls operation of the Authority, including selection of management and approval of operating budgets. The following is a summary of financial information of CAPRI as of June 30, 2014 (the most recent information available):

A. Entity	CAPRI
B. Purpose	Provide insurance coverages, risk management programs, safety and loss prevention services through a financially sound risk-sharing pool.
C. Participants	Recreation and park districts in California
D. Governing Board	Consists of a representative of each member by region
E. Payments for the Current Year	<u><u>\$ 159,584</u></u>
F. Condensed Financial Information	
	June 30, 2013*
	(Audited)
Total Assets	<u><u>\$ 23,659,615</u></u>
Total Liabilities	\$ 11,272,097
Net Position	<u>12,387,518</u>
Total Liabilities and Net Position	<u><u>\$ 23,659,615</u></u>
Total Revenues	\$ 6,343,508
Total Expenses	<u>(7,351,271)</u>
Change in Net Position	<u><u>\$ (1,007,763)</u></u>
Member Agencies Share of Year-End Assets, Liabilities, or Fund Equity	**

* Most current information available.

** Has not been calculated.

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

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

10. OPERATING LEASES

The District leases a photocopier under an operating lease agreement that expires March of 2016. The lease agreement includes a maintenance service agreement that also expires March of 2016. Annual lease payments are \$3,051. Future minimum lease payments required under the lease is as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Annual</u> <u>Payment</u>
2015	\$ 3,051
2016	<u>1,526</u>
	<u>\$ 4,577</u>

Lease expense was \$3,051 for the year ended September 30, 2014, and included the rental of the photocopier.

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

11. CONTINGENCIES

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

The District participated in a multi-employer pension covering the part time employees in lieu of social security. In 2005 it was discovered that the plan administrator misappropriated some of the funds that belong to employees of the District. The District was able to recover \$44,739 from the pension plan. The total loss that has not been recovered is approximately \$47,000 plus the amount of interest to the plan participants that is yet to be calculated. At September 30, 2014, the District estimates its liability regarding these funds is \$35,604. This estimate assumes a reasonable rate of growth that ranged from 4.76% to 3.57% for the years 2004 through 2014.

12. SUBSEQUENT EVENTS

The District's management evaluated its September 30, 2014 financial statements for subsequent events through February 11, 2015, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY
INFORMATION**

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE

SEPTEMBER 30, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Tax and Assessments	\$ 4,228,000	\$ 4,228,000	\$ 4,111,776	\$ (116,224)
District Services	2,433,685	2,433,685	2,578,051	144,366
Donations	-	-	100,808	100,808
Grants	-	-	48,458	48,458
Interest	40,000	40,000	42,083	2,083
Increase (Decrease) in FMV of Cash and Investments	-	-	11,706	11,706
Total revenues	<u>6,701,685</u>	<u>6,701,685</u>	<u>6,892,882</u>	<u>191,197</u>
EXPENDITURES				
Employee Services	3,335,436	3,335,436	3,390,822	(55,386)
Communications	31,500	31,500	25,225	6,275
Food	49,300	49,300	47,960	1,340
Household	48,000	48,000	38,455	9,545
Insurance	88,000	88,000	84,122	3,878
Maintenance	133,500	133,500	160,385	(26,885)
Memberships	13,170	13,170	9,952	3,218
Employee Incentives	400	400	-	400
Office Expenses	97,550	97,550	100,534	(2,984)
Professional and Special Services	373,392	373,392	667,930	(294,538)
Publications	19,125	19,125	12,497	6,628
Rents and Leases	38,700	38,700	45,923	(7,223)
Small Tools and Supplies	192,305	192,305	191,990	315
Special District Services	180,958	180,958	151,059	29,899
Transportation and Travel	91,050	91,050	74,899	16,151
Utilities	290,500	290,500	353,972	(63,472)
Taxes and Assessments	144,000	144,000	94,815	49,185
Debt Service	142,194	142,194	143,768	(1,574)
Structures and Improvements	-	-	297,803	(297,803)
Equipment	18,500	18,500	97,906	(79,406)
Total expenditures	<u>5,287,580</u>	<u>5,287,580</u>	<u>5,990,017</u>	<u>(702,437)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,414,105</u>	<u>1,414,105</u>	<u>902,865</u>	<u>(511,240)</u>
Fund balance - October 1, 2013, As originally reported	6,874,887	6,874,887	6,874,887	-
Prior period audit adjustments	-	-	245,371	245,371
Fund Balance - October 1, 2013, As restated	<u>6,874,887</u>	<u>6,874,887</u>	<u>7,120,258</u>	<u>245,371</u>
Fund balance - September 30, 2014	<u>\$ 8,288,992</u>	<u>\$ 8,288,992</u>	<u>\$ 8,023,123</u>	<u>\$ (265,869)</u>

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

**MITIGATION FUND
BUDGETARY COMPARISON SCHEDULE**

SEPTEMBER 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Mitigation Fees	\$ 125,000	\$ 125,000	\$ 180,612	\$ 55,612
Interest	-	-	2,467	2,467
Increase (Decrease) in FMV of Cash and Investments	-	-	491	491
Total revenues	<u>125,000</u>	<u>125,000</u>	<u>183,570</u>	<u>58,570</u>
Excess (deficiency) of revenues over (under) expenditures	125,000	125,000	183,570	58,570
Fund balance - October 1, 2013	<u>369,254</u>	<u>369,254</u>	<u>369,254</u>	<u>-</u>
Fund balance - September 30, 2014	<u>\$ 494,254</u>	<u>\$ 494,254</u>	<u>\$ 552,824</u>	<u>\$ 58,570</u>

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

**QUIMBY FEES FUND
BUDGETARY COMPARISON SCHEDULE**

SEPTEMBER 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Quimby Fees	\$ 10,000	\$ 10,000	\$ 3,832	\$ (6,168)
Interest	-	-	75	75
Total revenues	<u>10,000</u>	<u>10,000</u>	<u>3,907</u>	<u>(6,093)</u>
Excess (deficiency) of revenues over (under) expenditures	10,000	10,000	3,907	(6,093)
Fund balance - October 1, 2013	<u>31,544</u>	<u>31,544</u>	<u>31,544</u>	<u>-</u>
Fund balance - September 30, 2014	<u>\$ 41,544</u>	<u>\$ 41,544</u>	<u>\$ 35,451</u>	<u>\$ (6,093)</u>

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2014

1. PURPOSE OF SCHEDULES

A Budgetary Comparison Schedule

The District employs budget control by account codes and by individual appropriation accounts. The budgets are revised during the year by the Board of Directors to provide for revised priorities. Expenditures cannot legally exceed appropriations by object level, which is a category of account codes such as salaries and benefits or charges for services. The originally adopted and final revised budgets for the General Fund, Mitigation Fund and Capital Projects Fund are presented as Required Supplementary Information. The budgeting is on the cash basis which is an other comprehensive basis of accounting.

Excess of expenditures over appropriations for the year ended June 30, 2014 were as follows:

	<u>Excess</u>
	<u>Expenditures</u>
General Fund:	
Employee Services	\$ 55,386
Maintenance	26,885
Office Expenses	2,984
Professional and Special Services	294,538
Rents and Leases	7,223
Utilities	63,472
Stuctures and Improvements	297,803
Equipment	79,406

**SUPPLEMENTARY
INFORMATION**

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

**CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE**

SEPTEMBER 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ 10,000	\$ 10,000	\$ 22,509	\$ 12,509
Increase (Decrease) in FMV of Cash and Investments	-	-	4,995	4,995
Total revenues	<u>10,000</u>	<u>10,000</u>	<u>27,504</u>	<u>17,504</u>
EXPENDITURES				
Debt Service	<u>1,546,463</u>	<u>1,546,463</u>	<u>1,546,463</u>	<u>-</u>
Total expenditures	<u>1,546,463</u>	<u>1,546,463</u>	<u>1,546,463</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(1,536,463)	(1,536,463)	(1,518,959)	17,504
Fund balance - October 1, 2013	<u>4,599,123</u>	<u>4,599,123</u>	<u>4,599,123</u>	<u>-</u>
Fund balance - September 30, 2014	<u>\$ 3,062,660</u>	<u>\$ 3,062,660</u>	<u>\$ 3,080,164</u>	<u>\$ 17,504</u>

OTHER INDEPENDENT AUDITOR'S REPORT



James Marta & Company LLP

Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Truckee-Donner Recreation and Park District (the "District"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 11, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiency described in the accompanying Schedule of Findings and Recommendations as 2014-1 to be a material weakness.

Compliance and Other Matters

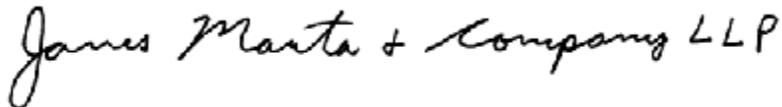
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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*.

Truckee-Donner Recreation and Park District's Response to Findings

Truckee-Donner Recreation and Park District's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Recommendations. Truckee-Donner Recreation and Park District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

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

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
February 11, 2015

TRUCKEE-DONNER RECREATION AND PARK DISTRICT

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

SEPTEMBER 30, 2014

2014-1 OPENING BALANCES– MATERIAL WEAKNESS

Criteria:

Accounts should be reconciled periodically to determine the accuracy of account balances, including opening balances that are carrying forward from prior years.

Condition:

The District's accounts payable balance included multiple prior year accrual entries which were not reversed, resulting in a significant overstatement of the accounts payable liability. In addition, there were two projects listed as construction-in-progress in the capital assets detail that should have been expensed in prior years.

Effect:

Accounts payable liability was overstated by \$245,371.
Construction-in-progress assets were overstated by \$96,524.

Cause:

In recent years the District has undergone substantial changes to its accounting system and processes. When the District converted accounting systems, entries were made into accounts payable as a lump sum which made it unclear what specifically had been included in the amount. When these items were paid, they were charged to expense instead of reducing the accounts payable balance in the conversion journal entry made to record the transactions.

The items listed as construction-in progress were not reviewed on a regular basis to determine if the items were appropriately categorized.

Context:

Management identified the errors during the closing process and determined the amounts to be adjusted.

Recommendation:

An accounts payable detail and aging should be prepared on a monthly basis to monitor payment of invoices in a timely manner and ensure the accuracy of outstanding balances.

Designated personnel should be assigned to monitor construction-in-progress to ensure that amounts are appropriately charged to a specific project. Upon completion, these projects should be transferred to completed projects and a depreciation schedule should be set up.

Corrective Action Plan:

With correction to the accounts payable liability account, and use of the new accounting system to process accounts payable, all paid invoices and the corresponding accounts payable balance are cleared at the end of each payable cycle. The accounts payable detail and aging is reviewed by the Accounting Manager at the end of each payable cycle to monitor the payment of invoices and ensure the accuracy of outstanding balances.

The Accounting Manager monitors the construction-in-progress to ensure that amounts are appropriately charged to specific projects. Upon completion of projects, the Accounting Manager prepares the necessary journal entry to transfer the completed project costs and sets up the appropriate depreciation schedule.